Battling the Mafia on the island of fear
Page I

Hong Kong: your guide to shopping heaven
Page IX

Collecting: London's dealers put on a brave face
Page XVI

Soaraway Soros
Does he really have the knack?
Page 10

FINANCIAL TIMES
Europe's Business Newspaper
WEEKEND JUNE 5/JUNE 6 1993 D8523A

SIB unlikely to publish Maxwell report in full

The Securities and Investments Board, the City's senior regulator, is unlikely ever to publish the full report of its investigation into the failure of regulation surrounding the Maxwell affair.

The decision to withhold the highly critical report will make legal action against the regulators difficult and could jeopardise similar action against other individuals and organisations named in the report. Page 26; **Invesco case may speed pension deal, Page 6**

US fears interest rate rise: Fears of higher interest rates rose on Wall Street following a sharp rise in payroll employment. Page 26; **Odd couple with a common cause, Page 10**

BAA accused over monopoly: Luton Airport launched the first full attack on BAA's monopoly of London airports, accusing it in a formal complaint to the Civil Aviation Authority of abusing its position and anti-competitive behaviour. Page 26

Warburg cancels equity plan: S.G. Warburg, the UK's leading merchant banking group, dropped plans to raise £80m of new equity after sounding out its leading institutional shareholders. Page 26

Bundesbank attacks EMS proposals: Recent suggestions for adapting the European Monetary System were labelled a "sham" by Hans Tietmeyer, vice-president of the Bundesbank. Page 2

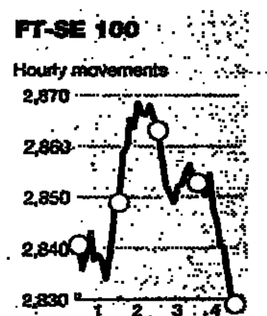
Close fight in Spain elections: Nearly 80 per cent of Spain's electorate are expected to vote in Sunday's general election, after the closest and nastiest campaign since Spain became a democracy. Page 2; Lex, Page 26

Cambodian government scrapped: Prince Norodom Sihanouk renounced his new coalition government just hours after forming it. Page 4

BA flights disrupted: A deal between British Airways and the TGWU transport union was agreed too late to avert disruption to most of BA's 420 daily flights from London's Gatwick and Heathrow airports. Two other disputes at BA remain unresolved. Page 8

MoD stops work on Tornado F3s: A private company caused millions of pounds worth of damage to RAF Tornado fighters which it was contracted to work on. Page 6

Further losses as equity account ends



Trading volume remained low yesterday and shares were sold down steadily in the second half of the session as the two-week trading account in equities closed. The final reading showed the FT-SE 100 Index down 22.9 at 2,829.9. The Index ended 10.8 down on the week, after steady selling over the last two sessions brought the market back from the 2,868 touched on Wednesday. The market remained 17.7 Footsie points up over the two-week equity account but has been affected by the lack of downward movement in interest rates, either in Germany or in the UK. Page 17; Lex, Page 26

Dunhill Holdings shares fell more than 11 per cent to 335p, after the luxury goods group reported lower annual pre-tax profits at £70.7m and warned on trading prospects in the current year. Page 12; Lex, Page 26

Ferruzzi Finanziaria announced that it and its parent company Serafino Ferruzzi SrL had hired five domestic banks to draw up a restructuring plan for the financially troubled agro-industrial, chemicals and energy group. Page 14

Clive Smith associate investigated: An accountant acting for Clive Smith, the UK oil entrepreneur who will on Monday seek to avoid bankruptcy with debts exceeding £20m, was arrested last year on suspicion of defrauding creditors in an insolvency procedure and is on police bail awaiting possible charges. Page 12

Belfast soldier sentenced for life: A soldier in the Parachute Regiment was sentenced to life imprisonment at Belfast Crown Court for the murder of a teenager shot dead in 1990.

Fishermen defy order: Fishermen ignored a court order to leave government fisheries offices in Plymouth, Devon, which they occupied earlier in the day in protest at new fish conservation laws which limit their days at sea. Page 6

■ STOCK MARKET INDICES

FT-SE 100:	2829.9	(-22.9)
Yield	4.07	
FT-SE Eurotrack 100	1159.95	(-0.86)
FT-A All-Share	1400.3	(-0.6%)
Nikkei	20,882.24	(-193.76)
New York lunchtime		
Dow Jones Ind Ave	3539.61	(-5.26)
S&P Composite	449.85	(-2.84)

■ US LUNCHTIME RATES

Federal Funds:	3%
3-mo Treas Bills: Yld	3.157%
Long Bond	102⅝
Yield	6.912%

■ LONDON MONEY

3-mo Interbank	5 15/32%	(5⅞%)
Liffe long gilt future:	Jun 104½	(Jun 104 13/32)

■ NORTH SEA OIL (Argus)

Brent 15-day (July)	$18.40	(18.35)

■ Gold

New York Comex (Aug)	$378.5	(376.2)
London	$374.60	(373.25)

■ STERLING

New York lunchtime:		
$	1.5125	
London:		
$	1.518	(1.5395)
DM	2.4625	(2.465)
FFr	8.3025	(8.305)
SFr	2.215	(2.2)
Y	163.5	(165.5)
£ Index	79.4	(79.6)

■ DOLLAR

New York lunchtime:		
DM	1.625	
FFr	5.4535	
SFr	1.4605	
Y	107.8	
London:		
DM	1.6225	(1.6005)
FFr	5.47	(5.395)
SFr	1.4595	(1.4285)
Y	107.75	(107.45)
$ Index	64.0	(63.5)
Tokyo close Y 107.26		

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UN approves force to protect Bosnian 'safe areas'

By Michael Littlejohns at the UN and David White in London

THE UN Security Council last night approved a plan agreed in Washington last month to send international troops to protect six Moslem enclaves in Bosnia designated as "safe areas".

The plan is expected to require some 5,000 extra UN troops in addition to the 9,000 now engaged in humanitarian operations in Bosnia.

For the first time, the council authorised UN troops to use force in reply to any bombardment of the safe areas or to carry out armed incursions. Member states, in co-operation with the UN, would also be authorised to use air power in and around the safe areas to support UN peacekeepers.

After two weeks of intense backstage negotiations, the US, Britain, France, Russia and Spain – which drew up the plan at a foreign ministers' meeting – managed largely to stem criticism by non-aligned members.

Thirteen states voted for the resolution. Pakistan and Venezuela abstained.

The US repeated its view that tougher measures were needed to counter Serb aggression. It described last night's move as an intermediate step.

The resolution called on members states to contribute forces and empowered Mr Boutros Boutros-Ghali, UN secretary general, to seek additional contingents.

A number of Islamic states, including Pakistan, have offered soldiers but so far Mr Boutros-Ghali has not wanted to employ them. Nato is ready to assume a co-ordinating role for the air operations.

British officials played down apparent differences between the US and European governments over the specific role of air strikes in the safe area plan. They said they were "reasonably content" with the language of the resolution.

Mr Diego Arria of Venezuela, who led a UN mission to Bosnia last month, attacked the entire policy of Balkans "containment".

The sponsors added an affirmation that the safe areas were temporary.

Mr Muhamed Sacirbey, the Bosnian delegate, denounced the resolution.

Croat-Moslem mediation bid, Page 3

PM aims to avoid tax rises and vows: 'I am here and I am staying'

Major seeks to placate right

By Philip Stephens, Political Editor

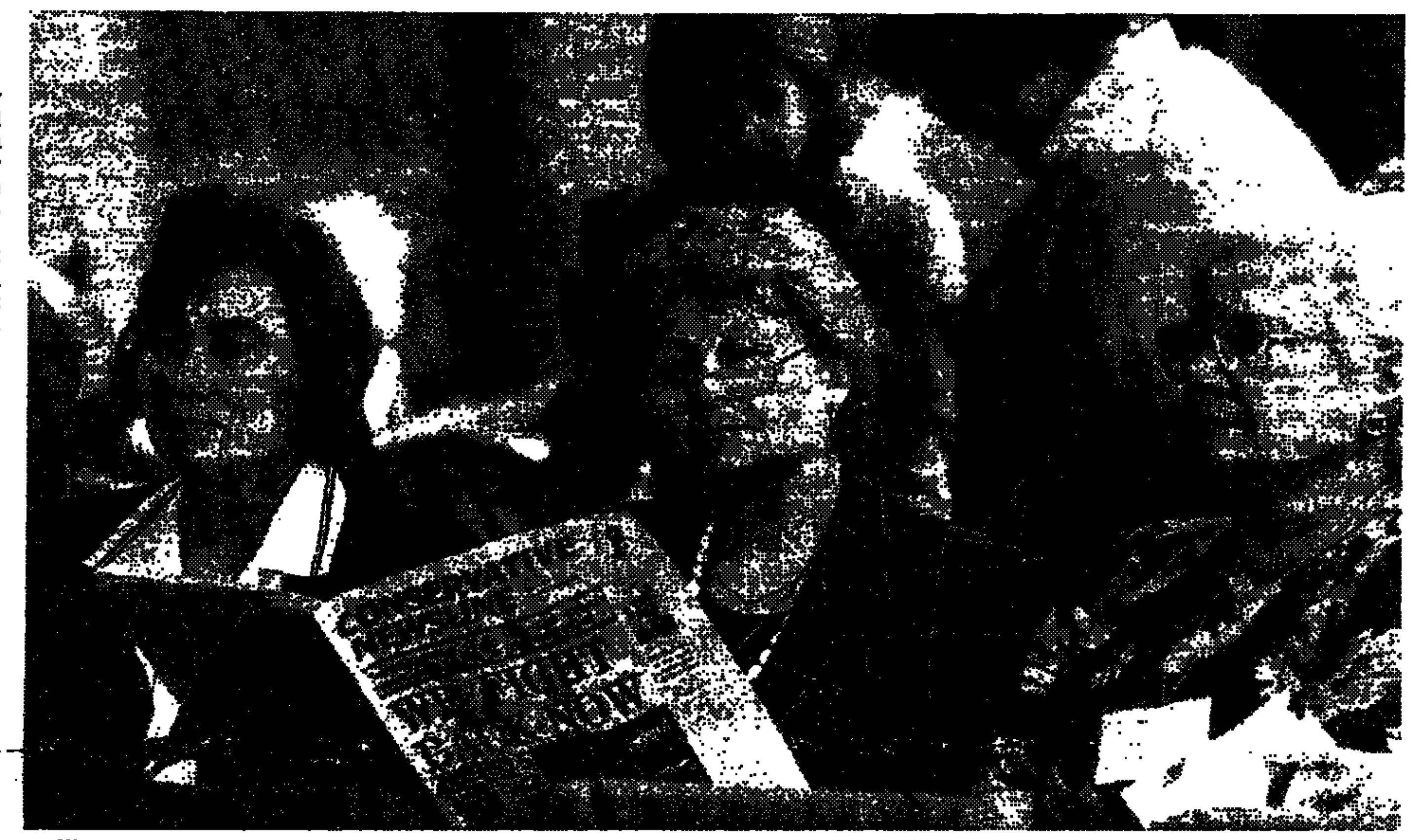
MR JOHN MAJOR yesterday signalled the government would aim for spending cuts rather than tax increases in the November Budget in an effort to placate the disgruntled right of the Conservative party .

He scorned suggestions that his premiership was threatened by a crisis of confidence but acknowledged the government faced still tougher times ahead.

Dismissing reports that a collapse in the government's support had left him tired and depressed, he told the Conservative Women's conference in London: "I am fit, I am well. I am here and I am staying."

Mr Major's insistence that he would not quit followed a Gallup survey showing him to be the most unpopular British prime minister since polling began more than 50 years ago.

But he launched a broadside against the wave of criticism he has faced in the press: "What I am tired and weary of is gossip dressed up as news, malice dressed up as comment and fiction reported as fact."



Spelling it out: Attentive Conservative women and a headline that reflected John Major's speech to their conference in London yesterday

His speech drew a warm, if less than ecstatic, reception. But the unpopularity of some of the government's policies, even among its own supporters, was underlined later by the rough ride given to Mr John Patten, the education secretary.

Mr Patten – jeered at earlier this week at a conference of head teachers – was sharply criticised by representatives over his confrontation with teachers on school tests.

Mr Major's comments were calculated to calm criticism from his party's right wing since he made Mr Kenneth Clarke chancellor of the exchequer in place of Mr Norman Lamont. Dropping his more customary "heart of Europe" rhetoric, Mr Major took a swipe at Brussels. He said Britain would continue the political and legal fight against the directive passed this week stipulating a 48-hour working week.

Mr Major warned the government would veto another European Commission proposal to introduce compulsory works councils in all businesses with more than 1,000 employees.

Page 6
■ Christchurch Lib Dems play on Tory popularity dive

Amid fears on the right that the centrist Mr Clarke may be ready to raise income taxes to curb the government's huge borrowing requirement, Mr Major gave a clear signal that the new chancellor would instead focus on cutting public spending.

In the March Budget, the government had set out a clear strategy covering the next three years to increase revenue. Mr Major went on: "The main task now is to keep a firm grip on public spending to help bring the books towards balance."

He went out of his way to reaffirm the government's medium to long-term aim of further income tax cuts. Pinning his political future on hopes that economic recovery is gathering pace, Mr Major committed the government to "policies that will sustain the recovery – low taxes on larger profits and more incomes with more people in work".

But, despite threats from the anti-Maastricht right of the Tory party that a defeat in the forthcoming Christchurch by-election

Continued on Page 26

Limit on directors' contracts urged by fund

By Roland Rudd and Robert Peston

POSTEL, the UK's biggest pension fund, has warned UK companies that it intends to vote against the re-election of any company director who is on a rolling contract of more than 12 months, a move designed to reduce the size of corporate pay-offs.

In a powerfully worded letter to the chairmen of all the FT-SE 100 companies, Mr Alastair Ross Goobey, chief executive of Postel, which controls £20bn and has a stake in each of the companies, says: "Too often recently we have read of senior executives who have been deemed to have failed in their role but, as a consequence of their contract, have been paid off with substantial sums."

He continues: "I have been given to understand that several other large investment institutions will support this initiative."

Mr Ross Goobey, a former adviser to Mr Norman Lamont, says he is not taking a position on the "absolute level of executive salaries", which he says is a matter for companies' remuneration committees. He adds: "A fixed (and renewable) contract of up to three years gives us no qualms". But he says that, with rolling contracts, there is no point at which an executive's employment can be terminated at "anything other than a high cost to the employer".

Continued on Page 26

Cash instead of cars would benefit most UK executives

By John Griffiths

NEARLY six out of 10 UK executives would be better off after next April by handing back their company cars in exchange for extra pay and a mileage allowance to run their own cars, according to what is claimed to be the largest survey of the UK company cars sector.

Almost one third would gain by more than £750 a year, according to employee benefits specialist Stoy Benefit Consulting.

The London-based group received detailed responses from 5,400 companies, operating a combined total of 189,000 cars, in reaching its conclusions.

The study, compiled over many months, was commissioned by Volkswagen/Audi in an attempt to determine the detailed impact of a new Inland Revenue taxation regime for company cars which comes into effect next April.

The new regime will tax the private benefit to employees of company cars according to simple sliding scales based on new cars' list prices. It will replace a long-standing but complex price and engine capacity banding taxation system, now in its final year.

However, Stoy Benefit's managing director, Mr Brian Friedman, made clear yesterday that the study was not recommending a mass exodus by executives from company cars.

The other 43 per cent would benefit from retaining their company cars – nearly one quarter also by £750 a year or more.

"While the company car may not be universally as tax effective as it once was, there are still many for whom it remains so," according to Mr Friedman.

"The government's policy towards the taxing of company cars may therefore be said to have been effective in producing the much more balanced position revealed by the survey."

The survey was aimed wholly at executives, paying tax at the higher rate on cars which traditionally, if often inaccurately, have been regarded as "perks". They account for around one tenth of all company cars on the UK's roads.

There is no simple formula for individuals to calculate whether they will be better or worse off by giving up their company car.

Which category they will fit depends on individuals' annual business mileage, individual taxation position and other factors.

In general those most likely to benefit from handing back their company cars are currently driving executive cars priced at close to the current £19,250 price threshold for higher taxation.

Under next year's regime, these could face tax increases of up to 70 per cent. According to the study, the upheavals inherent in the new system have jolted nearly three-quarters of the 5,400 fleets surveyed into urgent reviews of their company car policies.

"Driving Around the Boardroom Table", from Stoy Benefit Consulting, 8 Baker Street, London W1M 1DA. £95.

Vauxhall joins exchange offer

Vauxhall last night joined Ford and Rover in offering to allow customers to exchange new vehicles with which they are not wholly satisfied. The company said private motorists and small fleet operators would have 30 days from the time of purchase in which to change a vehicle, as long as not more than 1,000 miles had been covered.

Vauxhall's move came as statistics for May showed further strong signs of recovery in the UK new car market. Registrations of new cars rose 11.9 per cent last month on a year-on-year basis, reassuring carmakers and traders that the recovery is still under way and that the drop in April sales was just a "blip".

Buoyant car sales underline recovery, Page 8

CONTENTS

Austria Sch30; Bahrain Din1.250; Bermuda $1.65; Belgium BFr60; China Fec 13.0; Canada C$1.40; Croatia HRD5700; Cyprus C£1.00; Czech Rep Kcs45; Denmark DKr15.00; Egypt E£4.50; Finland Fmk12; France FFr9.00; Germany DM3.30; Greece Dr300; Hong Kong HK$16; Hungary Ft172; Iceland IKr180; India Rup40; Indonesia Rp3,800; Israel NS5.80; Italy L2700; Japan Y500; Jordan JD1.50; Korea Won 2500; Kuwait Fils.800; Lebanon $US1.25; Luxembourg LFr60; Malaysia Rin4.50; Malta Lm0.60; Morocco Dh13.00; Nigeria Naira45.00; Netherlands Fl3.75; Norway Nkr18.00; Oman OR1.50; Pakistan Rs35; Philippines Pso 45; Poland Zl 22,000; Portugal Esc215; Qatar QR12.00; S.Arabia Rls11.00; Singapore S$4.10; Slovak Rep KSL45; Slovenia SLT220; Spain Pta200; Sri Lanka Rup30; Sweden SKr15.00; Switzerland SFr3.20; Taiwan NT$35; Thailand Bht50; Tunisia Din1.250; Turkey L7000; UAE Dh11.00; USA $1.25 (Alaska & Hawaii $1.75)

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Bundesbank attack on 'sham' proposals for changes in EMS

By Christopher Parkes in Frankfurt

RECENT suggestions for adapting the European Monetary System were dismissed yesterday as "deceptive... sham proposals" by Mr Hans Tietmeyer, vice-president of the Bundesbank.

He was particularly antagonistic to notions that German monetary policy must pay greater attention to conditions in the entire EMS area and that Germany should agree to increase intramarginal intervention in order to defend fixed central exchange rates.

In his view, this was neither acceptable in Germany – where policy is controllled by the Bundesbank – nor in the best interests of other EMS member states, he told an international audience in Frankfurt last night.

The Bundesbank, which has drawn fresh international and domestic fire for its renewed reluctance to ease interest rates in the interests of helping the EC, including Germany, to escape from recession, "must and will do all it can to safeguard the anchor function of the D-Mark," he said.

Success in this task depended mainly on maintaining the credibility of Germany's domestic anti-inflation policy, which was the only way of safeguarding stability in the entire system.

Proposals for an early shift to monetary union by the so-called "hard-core" group were also blighted by substantial institutional differences, political uncertainty and economic divergences, Mr Tietmeyer observed.

There were considerable disparities between the "stable" Community countries, especially in public sector budgets and labour market conditions.

Germany had particular difficulties with the economic adjustment to unification, a process which had started relatively late, he noted. The Community should abide by the timetable set down in the Maastricht treaty, which provided for an initial review at the end of 1996.

Mr Tietmeyer, who is expected to succeed Mr Helmut Schlesinger as Bundesbank president later this year, said modifying the economic convergence criteria governing potential participants in monetary union would be a "fateful mistake".

Easier conditions would discredit and threaten the stability of the future European currency even before it came into existence.

He also criticised more recent suggestions for softening EMS rules by extending permissible margins of exchange rate fluctuation and allowing the temporarily overstepping of intervention points. A monetary system fitted with loopholes "for all possible contingencies will hardly be able to fulfil its purpose as an instrument of discipline," he said.

He also warned against the "artificial" development of the Ecu into a parallel currency. In this context, measures to promote the use of the Ecu, recently reactivated by the EC Commission, could adversely affect member states' monetary policies.

In spite of a slight seasonal decline in unemployment, the number of jobless in western Germany stood at a record 2.15m for the month of May, a 26 per cent increase on a year ago, Quentin Peel reports from Bonn.

Overall, the number wholly unemployed in both east and west Germany was almost 3,245,000, with a jobless rate of 6.9 per cent in the west and 14.4 per cent in the east.

The very modest decline during May confirmed fears that unemployment will rise by around 500,000 during the course of the year, as the current recession continues. Mr Bernhard Jagoda, president of the federal labour office, said "economic and structural strains" on the labour market were still apparent.

In addition to the wholly unemployed, there was a drop of 490,000 in the number of economically active job-seekers in west Germany, and a further 937,000 were on short-time working.

Mr Otto Lambsdorff, leader of the Free Democratic party in the ruling Bonn coalition, warned that an "honest calculation" of unemployment would put it at around 5m. That was simply intolerable.

Brussels go-ahead for Klöckner loan write-off

By Ariane Genillard in Bonn and Andrew Hill in Brussels

THE European Commission yesterday formally agreed to write off 40 per cent of its DM175m (£71m) loan to Klöckner-Werke, the troubled German steelmaker, clearing the way for a far-reaching debt relief scheme at the group.

The Commission claimed it had managed to improve Klöckner's original offer of capacity cuts so that the debt relief scheme would not upset wider EC plans to support the Community steel industry.

But Klöckner said yesterday that it had not changed its plans during the month-long negotiations and that the Commission had simply accepted the original conditions for the debt rescheduling.

In Duisburg, Klöckner said the EC had accepted the planned capacity cuts in its original restructuring plan. "We convinced the EC that our plans were viable," Mr Bernd Krüger, a director in the company, said. Klöckner said, however, it had agreed to cut 400 more jobs than planned. The company will bring its current workforce of 6,200 down to 4,100 by the end of 1994.

The company said the way was now cleared for its debt rescheduling scheme to go through.

Klöckner, which filed for protection from its creditors earlier this year, will have DM1.7bn of its DM2.4bn net debt written off. In return, the Commission said yesterday it had won binding commitments from the German group to close down one blast furnace in its Bremen steel plant.

Under the deal, pig-iron capacity will be cut by 33 per cent, and crude steel capacity by 20 per cent. Capacity at the group's hot strip rolling mill will come down by 500,000 tonnes a year, from 4.2m tonnes to 3.7m tonnes. Klöckner has also promised to cut capacity in line with overall EC plans if it enters into partnership with any other steel producers.

Commission officials said the agreement on capacity reductions had been separated from the debt relief deal to overcome German legal problems.

Publicly owned Italian and Spanish steelmakers – under pressure to sacrifice capacity – have complained that Klöckner is getting special treatment.

More anti-racist protests planned in Germany

By Quentin Peel in Bonn

THREE MORE suspects were detained by the German federal prosecutor yesterday for questioning over the murder of two Turkish women and three children in an arson attack last weekend, as preparations went ahead for mass anti-racist demonstrations across the country.

Tens of thousands of Germans and Turks are expected to join in the protests in Solingen, the steel-making town where the deaths occurred, and other cities such as Hamburg, Munich, Frankfurt and Stuttgart.

There were fears yesterday that there could be violent incidents, with clashes between extreme Turkish nationalist groups, such as the so-called Grey Wolves, Kurdish dissidents, and German skinhead gangs.

Mr Rudolf Seiters, the interior minister, warned a parliamentary committee that the Solingen attack could trigger new confrontations between extreme left-wing and right-wing gangs.

However, the organisers are calling for a mass demonstration in favour of good race relations. In Hamburg, for example, they are hoping for 100,000 people to join a "chain of ideas", each bringing a proposal on how to combat racism.

A survey published yesterday showed that an overwhelming majority of Germans – more than 70 per cent – would be happy to grant long-standing Turkish residents the right of dual nationality. At the same time, some 44 per cent of those questioned by the Wickert opinion research institute doubted that such a dual nationality would do much to improve race relations.

There was a significant drop last month in the number of foreigners seeking political asylum in Germany – the main source of racial tension over the past two years.

There were 31,705 applications, a reduction of almost 27 per cent on the 43,243 who arrived in April.

The largest number of asylum seekers still come from Romania (9,326), but for the first time, the former Soviet republics of Armenia, with 665 applicants, and Ukraine (522), figured in the list.

OLD MAN OF THE LEFT: Colombian novelist Gabriel García Márquez (arm raised) is applauded by prime minister Felipe González at the socialists' Barcelona rally

Fear and loathing in las elecciones

Peter Bruce tastes the last offerings by the leaders in the Spanish poll campaign

THE two main political leaders in Spain, Mr Felipe González, the socialist prime minister, and his conservative challenger, Mr José María Aznar, president of the People's Party, may have a lot to answer for.

During a month-long campaign, leading to the general election tomorrow, the closest and nastiest since the country became a democracy 16 years ago, they have dragged fear and loathing back to the heart of Spanish politics.

At political rallies around the country this week, it has been possible to catch just a scent of the passions that tore at the second republic in the 1930s, before the Civil War, as the country was divided into left and right.

The socialists have been selling fear; the conservatives doing the loathing.

Not that anything terrible is going to happen after the polls close. Power will be peacefully retained or peacefully – if a little chaotically – transferred. But nearly 80 per cent of the electorate is expected to vote, a measure of the passions ignited.

The rallies are huge. In Valencia, Mr Aznar tells 30,000 roaring supporters bussed in from the countryside that the socialists are corrupt, that the country is on the brink of collapse, and that the time has come to "get them out of the way".

An evening later, in Barcelona, Mr González asks more than 40,000 supporters, next to the city's Olympic stadium, "what do they mean 'get rid of us'? This is a democracy. We don't 'get rid' of people."

Desperate to stop the PP winning enough votes to enable it to form Spain's first conservative government in more than a decade, the Socialists blatantly play on the fears – particularly those of old people – of a return of fascism and dictatorship. In Barcelona, Mr Gonzalez makes a surprise reference to *el viejo* (the old man), meaning Franco and thus uttering a term he has not used for ages.

Celebrities at the Barcelona rally drench the crowd with the past. A rock singer says his father was persecuted by Franco. A huge roar goes up as the Colombian writer and Nobel prize-winner Gabriel García Márquez is introduced and embraces Mr González. A humorist remembers leaving a POW camp after the Civil War and being told not to fear the dictatorship. "Two days later, I was back in Franco's jails," he cries. "Don't trust them! There is no 'new' right, it is the same old right it always was."

Felipe's eyes moisten. He is a sentimental old anti-Francoist who also did his time in exile. As he speaks, he struggles to control what is in his heart and then stops bothering. In Spain, 40,000 people begging for the good guy to give the bad guys what for is called "bathing in the masses". No politician would resist it.

The scare-mongering ranges from warning old people that PP tax policies threaten their pensions, parents that the conservatives will run down public education, and the infirm that Mr Aznar will make it expensive to be ill. "I am not saying that democracy is in danger on June 6," roars Mr González, "but tolerance is being threatened by intolerance. We cannot build a future by forgetting the past."

This enraptured crowd would probably vote socialist even if he were speaking Norwegian so it may not matter what he says. Little of the speech would get onto television. But the more Mr Aznar has looked like winning, the more strident Mr González has become.

The right started it, though. For nearly two years, expectantly watching the approach of economic recession, the PP and its supporters in the media and business have carefully sold a toxic portrait of economic disaster and unbridled socialist corruption to Spain. Language has hardened. One hears respectable businessmen speak of the socialists as "thieves" or "idiots".

They are neither, but more than a decade in power and rising unemployment have lubricate conservative propaganda. Spaniards are disposed to be suspicious of politicians anyway and it was not cold economic fact that forced Mr González to call the election early – it was his sense that somehow the country's body politic was being poisoned.

If the PP wins the most seats, as the polls predict, tomorrow, Mr Aznar will have to deal with the same problem, even though he may have the comfort of governing in coalition or some partnership with smaller regional parties. The nastiness generated by this campaign will not subside quickly and he will be given no quarter by an opposition led by Mr González.

Felipe González will still be around, win or lose. He loves politics – but there was an air in Barcelona of something ending. He is the last socialist, the last sixties radical, still running a European Community country. Watching him choke up 40,000 people with his rhetoric is still knee-weakening, but listening to him claw back the past was like being at the last Beatles concert.

THE SPANISH POLL

VOTERS/CONSTITUENCIES:

30.7m Spaniards can vote in elections for the 350-seat Congress (lower house) and for 208 of the 252 seats in the Senate. The remaining senators are designated by the autonomous regions.

More than 800 candidates are standing for Congress and 777 for the Senate, with a record 92 parties putting forward lists in Spain's 52 constituencies.

There are four Senate seats available in almost all the 52 constituences, regardless of the size or population of the area.

By contrast, areas with greater concentrations of voters elect correspondingly more deputies for Congress. The largest constituency is Madrid, where 34 Congress seats are on offer. The smallest two are Spain's North African enclaves, Melilla and Ceuta, which elect one deputy each.

VOTING SYSTEM:

Under Spain's proportional representation system, parties put up a list of candidates in each constituency – as many candidates as there are seats.

The number of seats won corresponds approximately to the percentage of votes obtained. If a party wins 50 per cent of the vote it will get 50 per cent of the seats, with candidates from the top half of its list automatically elected.

Voting is not compulsory. In the 1989 general elections there was a 69.7 per cent turnout.

Italy in talks over buying fighter jets

By Robert Graham in Rome

ITALY is seeking to strengthen its air force, so as to offset a potential threat from Serbia, by buying or leasing fighters from its Nato allies.

The Italian defence ministry has confirmed that discussions have begun with the US and British governments for the quick supply of at least 50 aircraft. The Italian air force is examining the suitability of either the General Dynamics F-16 or the interceptor version of the Tornado mutli-role-combat aircraft, in part produced by the Italian defence industry.

This is the first such deal to be considered in recent years for a Nato air force. No price tag has been put on either purchase or leasing since the aircraft under discussion are already in the US and UK air force stock. There has been unofficial talk of a minimum value of L3,000bn (£1.3bn).

The Italian government has become increasingly concerned in recent weeks over the belligerent tone of statements from Serb nationalists and military commanders.

Italy feels vulnerable to the threat posed by the more advanced Russian aircraft of the Serbian (ex-Yugoslav) air force. Italy is not directly involved on the ground in former Yugoslavia but has allowed France, the Netherlands and the US air forces to use its bases to monitor the no-fly zone over Bosnia.

Local voting points to shape of politics

MUNICIPAL and regional elections on Sunday, involving nearly a quarter to the Italian electorate, promise to provide the first clues to the new shape of political alliances, **Robert Graham writes from Rome.**

The elections involve 10.5m voters asked to elect 1,230 municipal councils, six provincial administrations and one regional council. Local results in Italy have closely mirrored those of general elections.

For the first time, the electorate will be voting directly for mayors, there will be only one polling day instead of the usual two.

The introduction of direct elections for mayors has completely changed the nature of the municipal contests, forcing political parties to forge broad alliances to be sure of a reasonable chance of winning.

The mayors must obtain a majority of the vote to win the first round but, because most contests are at least three-cornered, even the greater use of electoral alliances means that many municipalities will see a run-off on June 20.

The main interest has focused on the outcome of the contests in the two big northern industrial cities of Milan and Turin.

The latest opinion polls say voters are likely to protest strongly against the misuse of municipal authority which has been exposed by the recent corruption scandals.

Poles to press ahead with privatisation

THE POLISH government will press on with its mass privatisation programme despite parliamentary elections set for September 19, Ms Hanna Suchocka, the prime minister, has confirmed, **writes Christopher Bobinski in Warsaw.**

The programme was approved by the now dissolved Polish parliament and the government hopes to have it in operation by the beginning of next year, as planned.

Meanwhile, western commercial bankers in the London Club have asked for postponement till the end of the month of a meeting planned for next Wednesday in Paris to negotiate a reduction in Poland's $12.1bn (£7.8bn) bank debt.

The pursuit of happiness can lead to a red Ferrari – and to early middle-age

Nicholas Denton finds Hungary's Young Democrats filling their coffers oddly

ALL a retired Hungarian manual worker receives in a year as state pension is the equivalent of $1,000. This sum can also hire a red Ferrari 348ts – including tax, mileage and heated leather seats – from Budapest's luxury rental company Jet Car – for a day.

Such is eastern Europe's jarring capitalism. But Jet Car is owned by Hungary's Young Democrats and car hire earnings may cost the fresh-faced opposition liberals dear in public affection.

Renting out Ferraris – and Porsches, Rolls-Royces, optional chauffeurs and bodyguards – is a lucrative business in status-conscious Hungary and meshes with the twenty-something liberals' unembarrassed faith in "freedom for the pursuit of happiness in a free market economy."

Still, such conspicuous extravagance is galling for the losers, often embittered and envious, from Hungary's painful transition to the free market.

The Young Democrats accept that ownership of Jet Car is politically damaging – particularly so because the Young Democrats and their leader Mr Viktor Orban (pictured left) began in politics as idealistic anti-communist student radicals and it is their youthful innocence that took them to the top of the opinion polls.

The image of purity, an appealing one in a country which assumes most politicians are corrupt, is now tarnished and jibes that the Young Democrats are a bunch of "yuppies disguised as revolutionaries" have gained bite.

For it has emerged also, in the last fortnight, that the Young Democrats have funded their business ventures out of a Ft700m ($8m) property windfall obtained by slick manipulation of Hungary's party financing laws.

The scandals matter because the Young Democrats, with 8.9 per cent of the vote in 1990, may hold the balance of power after elections next year. Already putting out feelers are the governing conservatives of the Hungarian Democratic Forum, unpopular and weakened by the breakaway this week of extreme nationalists led by Mr Istvan Csurka.

The Young Democrats' influence in power-broking depends on their electoral chances and advisers reckon the scandals will cost up to 10 percentage points in the polls.

Even so, more money in party coffers is essential if the Young Democrats are to mount an effective campaign in 1994, officials say privately.

As for loss of innocence – well, age catches up with everyone. The Young Democrats recently lifted the party ban on middle-aged members. Their posters had the grace to admit: "We're getting older."

At least adulthood has its compensations. Jet Car only rents out its Ferrari to over-25s.

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Make or break for the architects of Russia

Yeltsin wants the right constitution to come out of a meeting starting today, writes Leyla Boulton

RUSSIA BEGINS a constitutional convention today to hammer out a new democratic constitution that will determine not only if the country breaks with the Soviet past but also if it breaks up altogether.

On the table is a draft constitution produced by President Boris Yeltsin which gives him sweeping powers, provides a clear executive role for the government and confines the legislature to handling legislation.

It is designed to reverse the chaos generated by the old Soviet-era constitution, which made an unwieldy Congress of People's Deputies "the supreme organ of state power" and enabled it to hinder the government's attempts to push through market reforms.

"The new draft makes clear who does what," said Mr Boris Fyodorov, the deputy prime minister who took over as chief architect of economic reforms in December after the Congress dismissed Mr Yegor Gaidar as prime minister. Until now, the smaller, standing parliament has had the power to distribute state funds, the president has been issuing legislation, while the prime minister has not had enough power to run the government.

The convention, attended by 700 representatives from around the country and from across the political spectrum, is to be tightly controlled by Mr Yeltsin's allies, who will head five working groups to iron out defects in the draft.

With 1,500 amendments already submitted, Mr Yeltsin has ordered the convention to end in just 10 days, avoiding what he called the "idle chatter" characterising the Congress, or full parliament. The latter, along with the standing parliament elected in the dying days of the Communist era, would be replaced under the new constitution by a western-style bicameral parliament, or Federal Assembly.

The new constitution also abolishes the post of vice-president, conveniently removing the president's now most bitter opponent, Vice-President Alexander Rutskoi.

While parliament yesterday demanded that its own draft proposal for a parliamentary rather than a presidential republic be merged with the presidential draft, Mr Yeltsin's young reformist allies see the main purpose of the meeting as freeing the presidential draft of its defects.

Mr Andrei Makarov, a lawyer who has defended controversial cases including President Yeltsin's ban on the Communist party, says the draft's main failing is its lack of an effective system of checks and balances and of a clear mechanism for solving disputes between the executive, judiciary and legislative branches of power.

The document is also heavily weighted in favour of the republics and autonomous territories which were set up by the Bolsheviks to give ethnic minorities a semblance of statehood, now being taken seriously by them. The present set-up would reserve half the seats of the upper house, or Council of Federation, for minorities representing just 18.5 per cent of the population.

The draft has the merit of enshrining inalienable private property rights for the first time in Russian history.

The short-term question is how the constitution will be enacted once the draft is finalised by the Convention. Strictly speaking, only parliament has the right, under the present constitution, to introduce a new one. But Mr Yeltsin is using his victory in the April 25 referendum as an excuse to bypass a parliament which has until now refused to abandon the old constitution for fear of being dissolved with it. New parliamentary elections are also due to be held to fill the new assembly foreseen by the constitution. Mr Yeltsin might opt for a referendum to adopt his own draft, or for the convening of a special Constituent Assembly whose only task would be to adopt the constitution.

The really vital question, as both Mr Yeltsin's supporters and enemies agree, is whether he will endanger plans for Russia to become a genuine federal state in order to get Russia's 88 regions and republics to adopt the constitution. The convention is being boycotted by the 89th "federation subject" - the autonomous republic of Chechnya, which has declared independence and where eight people were reported killed yesterday in fighting between supporters and opponents of the breakaway leader, General Dzokhar Dudayev.

The leaders of the 22 republics are particularly keen to use the constitution as a bargaining chip to insist on more political power as well as control of tax revenues and export earnings, while the regions want to get any economic concessions granted to the republics.

The federal treaty signed last year dividing up rights and responsibilities between federal and local authorities is enshrined in the presidential draft constitution. But the bargaining will centre on specific mechanisms on how that federal treaty is to be implemented.

Tatarstan has already refused to sign the federation treaty and is getting a special treaty. Others like Bashkortostan and Yakutia want to collect all taxes and then pass on some to the centre, as opposed to a system whereby the federal authorities would levy their own taxes side by side with local authorities. Some even want to have their own central banks.

Such centrifugal tendencies, if allowed to get out of hand, will not only harm efforts to build a market economy, but could ultimately lead to a Soviet-style collapse of Russia.

Ukraine divided over N-missiles

By Chrystia Freeland in Kiev

UKRAINIAN President Leonid Kravchuk yesterday insisted that his government remained committed to becoming a non-nuclear state, contradicting Prime Minister Leonid Kuchma's assertion on Thursday that the Slav republic should, at least temporarily, retain some of its nuclear missiles.

However, the Ukrainian parliament not the president must ratify the two international treaties which would bind Ukraine to its non-nuclear promises. Yesterday an overwhelming majority of MPs appeared to favour the prime minister's more hawkish stance.

Deputies said that in a closed parliamentary debate on the issue, which adjourned yesterday afternoon, most speakers called for the Start 1 treaty, which covers only 130 of the 146 Inter-Continental Ballistic Missiles left on Ukrainian territory after the break-up of the Soviet Union, to be considered separately from accession to the Nuclear Non-Proliferation Treaty.

That would leave the way open for parliament to back Mr Kuchma's proposal and declare Ukraine to be, temporarily, a nuclear power.

Mr Kuchma's call for Ukraine to keep some of its nuclear weapons for the time being – the first time a senior government official has expressed such a view – and parliament's enthusiastic response threaten a schism over the nuclear issue at the highest levels of the Ukrainian leadership.

Mr Les Aspin, the US defence secretary, is to hold talks with Ukrainian officials in Kiev tomorrow in the first cabinet-level visit by a member of the Clinton administration.

The US's initial strategy of treating Ukraine frostily until it followed through on promises to get rid of its nuclear weapons has now changed, and now includes more carrot and less stick.

Belgrade tense after Milosevic cracks down

By Kerin Hope in Belgrade

MR Vuk Draskovic, Serbia's most prominent opposition leader, was due to appear yesterday evening before an investigating magistrate, three days after his arrest while leading an anti-government demonstration.

Mr Draskovic was suffering so badly from the beating he received from riot police on Tuesday that authorities might be forced to bring charges against him at his bedside in a prison hospital, his lawyers said.

Mr Draskovic has been accused of inciting his supporters, gathered outside parliament, to storm the building. However, members of his party, the Serbian Renewal Movement (SPO), deny the accusation, saying he was inside the building at the time, protesting at the beating of an SPO deputy by a ultranationalist member of parliament.

The hearing for Mr Draskovic was set to cap a dramatic week in which Serbian President Slobodan Milosevic reasserted his grip on power with an unashamed display of authoritarianism.

The mood in Belgrade was apprehensive yesterday as new police checkpoints were set up on roads around the city. For the first time since Mr Milosevic came to power in 1988, the police were an openly intimidating presence.

The dismissal earlier this week of Mr Dobrica Cosic, president of the rump Yugoslavia, was followed by unprecedented police violence in breaking up the demonstration outside parliament, and a move to ban Mr Draskovic's party.

Mr Milosevic renewed his alliance with the radical nationalists, which had appeared under strain recently, in order to force out Mr Cosic in a no-confidence vote. Afterwards, Mr Vojislav Seselj, head of the Serbian Radical Party described the Serbian president as "a real patriot".

Mr Milosevic is clearly determined to crack down heavily on any attempt by the opposition to exploit rising popular discontent.

Police reinforcements have been brought in from as far away as Kosovo in the past three days, diplomatic sources said.

Mr Milosevic has strengthened the Serbian police force by 20,000 men in the past year, equipping special units with armoured vehicles and helicopters as well as rocket launchers and other weaponry.

A year of UN economic sanctions has made life in Serbia increasingly uncomfortable, especially in Belgrade where the effects of large-scale lay-offs, soaring prices and periodic shortages are most keenly felt.

The opposition has grown weaker since a series of demonstrations last year, led by the flamboyant Mr Draskovic, demanding an end to the war in Bosnia, forced Mr Milosevic to call an early election.

A Bosnian Croat militiaman carries a child as he leads Croat refugees from a village in central Bosnia yesterday

Meeting scheduled in Split

Croat-Moslem mediation bid

INTERNATIONAL mediators met Bosnia's Moslem President Alia Izetbegovic in Sarajevo yesterday in a bid to end fighting between former Moslem and Croat allies, Reuter reports from Sarajevo.

But Mr Mate Boban, the leader of Bosnian Croat forces, failed to arrive later for a meeting with envoys Lord Owen and Mr Thorvald Stoltenberg after bad weather grounded his helicopter.

The meeting, due originally at Sarajevo airport, will take place in the Croatian port of Split in the near future.

Lord Owen reaffirmed his faith in a peace plan that would share power roughly on ethnic lines between Moslems, Serbs and Croats in 10 provinces, and said the Serbs faced many pressures to accept a just solution to the war.

He said he had intended to spend "all day trying to put Bosnian Moslems and Croats into a working relationship to stop them fighting each other and get them to accept parts of the Vance-Owen peace plan".

The peace effort has been complicated since January by fighting between Moslems and Croats, previously allied against rebel Serbs who took up arms when Bosnia broke from Yugoslavia 14 months ago.

The mediators met Bosnian Serb leader Radovan Karadzic on Thursday in Pale near Sarajevo for the first time since his self-proclaimed Serb republic rejected a blueprint drafted by Owen and former envoy Cyrus Vance to end the war.

Mr Karadzic agreed to allow UN military observers into the eastern Moslem enclave of Gorazde, under fresh Serb attacks for the past week. But Lord Owen said little progress had been made on establishing six UN-protected "safe areas" for besieged Moslems.

Black professor stays loyal

Clinton drops liberal for civil rights job

By Jurek Martin in Washington

A BATTERED President Bill Clinton yesterday got a helping hand from the woman he had dropped the night before as his nominee to run the Justice Department's civil rights division.

As Washington reverberated with condemnations of the president from black, civil rights and women's groups, Ms Lani Guinier, precise in speech and dignified in her disappointment beyond all reasonable expectations, stood by the man she has known as a friend for more than 20 years.

She disagreed with his decision to withdraw her nomination and said she thought that had she been allowed to testify before the Senate she would have won confirmation. A possible administration "mistake," she said, was to allow her opponents "to define me in ways my mother would not recognise".

But Ms Guinier, flanked by her husband and young son, insisted repeatedly at a press conference held in the department in which she desperately hoped to serve that she retained great respect for Mr Clinton and agreed with him that "the last thing we need in this country is a discussion on race that polarises people".

He still had, she said, "the opportunity to be a great president," and she harboured no doubts about his commitment to "heal the racial haemorrhaging" in the country. She was equally effusive in her praise of Ms Janet Reno, the attorney general, who had continued to support her but who said yesterday that "it is now time to move on".

Mr Clinton, looking quite shattered, had finally pulled the rug from under her nomination on Thursday evening after what he called a "most painful" two-hour White House session with Ms Guinier, now a law professor at Pennsylvania University.

"I cannot fight a battle that I know is divisive, that is an uphill battle, that is distracting to the country, if I do not believe in the ground of the battle," he said. Asked if this was just another example of his move to the political middle, he pounded the podium and replied, "this is about my centre, not about the political centre".

It emerged that Mr Clinton had only read for the first time on Thursday the academic articles that led to Ms Guinier, who is black, being attacked as "a quota queen" who would tinker with the voting rights laws. He said they contained "ideas that I myself cannot embrace". But Ms Guinier simply said yesterday she was "flattered" that a president should have read her dense, abstract articles.

She said her steadfast opposition to racial quotas stemmed from the experience of her father at Harvard in 1929, when he was denied financial aid, because it had already been offered to one black, and refused permission to live in dormitories. "He was the victim of racial quotas," she said, "a quota of one."

Of the attacks on her, she said, "I hope we are not witnessing the dawn of a new intellectual orthodoxy in which thoughtful people can no longer debate provocative ideas without denying the country their talents as public servants."

But the power and authority of her remarks also had to be matched against the stream of criticisms directed at Mr Clinton and his White House, especially from the 38 strong congressional black caucus, among the president's most loyal supporters to date. Some threatened to withdraw support from his budget package, for which he needs every vote in sight.

Ms Lani Guinier: steadfast in opposing racial quotas

US may alter line on chip market share

By Charles Leadbeater in Tokyo

US semiconductor manufacturers are ready to reduce their reliance upon specific market share targets to open up the Japanese market, US executives said yesterday in Tokyo.

The US industry's shift from market share goals as a tool to open the Japanese market comes as the Clinton administration is preparing proposals to reduce Japan's rising trade surplus. These are expected to rely heavily upon market share targets, possibly modelled on the 1991 semiconductor accord between the two countries.

Mr Mickey Kantor, US trade representative, and Mr Ron Brown, commerce secretary, have repeatedly praised the semiconductor arrangement which centres on a US expectation that its chip manufacturers will achieve a 20 per cent share of the Japanese market.

US producers achieved a share of more than 20 per cent in the final quarter of last year. At a meeting between representatives of the US and Japanese semiconductor industry in Tokyo yesterday the two sides did not reaffirm the 20 per cent goal nor did they set a higher target.

Mr Pat Weber, president of the components division of Texas Instruments said of the market share goal: "We are moving beyond that. We will not rely upon it so heavily in future. We will move forward through co-operation and trust with our Japanese partners and customers."

US industry executives said they hoped to consolidate the 20 per cent share achieved late last year and make continuous improvements in penetrating the Japanese market.

The Japanese side is committed to improving market access but not necessarily market share. US executives insist the two are synonymous because improved market access is meaningless unless it leads to higher market share.

The US producers are hopeful that after temporarily relying upon the market share goal autonomous forces will help to support the US share.

Mr Weber said growing technological dependence between semiconductor makers, the increasing sophistication of US semiconductors and the growing number of cases in which US chips have been designed into newer products should help to support the US share.

Mr Hadehiko Yoshida, senior executive vice president of Toshiba concurred: "We need alliances because semiconductors are becoming so diverse, we need mutual interdependence to develop them."

However, the rise in the US share last year was partly because of extraordinary efforts undertaken by the Japanese industry late in the year to increase their use of US components as well as the slump in the Japanese consumer electronics market. This is dominated by Japanese semiconductors, while the US share is higher in areas such as computing. As the consumer market improves in Japan, as it is expected to do later this year, the US share is likely fall.

Democrats face loss of Texas Senate seat

By George Graham in Washington

PRESIDENT Bill Clinton has already learned to his cost that the 57-43 Democratic majority in the Senate is not enough for him to be confident of getting legislation passed.

With today's by-election in Texas, however, his margin seems set to shrink further.

Mr Bob Krueger, appointed to fill the Senate seat left open when Mr Lloyd Bentsen became treasury secretary, has been trailing far behind his Republican challenger, Mrs Kay Bailey Hutchison, and despite a last minute assault on her character and ethics, is expected to lose in a landslide.

Mrs Hutchison, the current state treasurer, has stuck to campaigning against higher taxes and against Mr Clinton. Although she appears to have made little headway among black and Hispanic voters, she has gained some ground among younger voters, especially women, who have not always relished the right wing rhetoric of Texas's other senator, Mr Phil Gramm.

She has also won the support of Mr Ross Perot, the Texas billionaire, although Mr Perot's United We Stand organisation, attempting to tread a tortuous course in order to preserve its tax-exempt status as a supposedly non-political organisation, insisted that this did not amount to an endorsement.

Mr Krueger, who has lost two Senate elections before, is an uninspiring former English professor with neither the conservative gravitas of Mr Bentsen nor the tough-talking populism of other successful Texas Democrats.

Indeed, Mr Krueger's expected loss may prove less of an embarrassment to Mr Clinton – although he already has troubles enough – than to Governor Ann Richards, who anointed him as the Democratic candidate by picking him to be Mr Bentsen's interim replacement, and who herself faces re-election next year.

Gatt panel to study steel row

By Frances Williams in Geneva

THE subsidies committee of the General Agreement on Tariffs and Trade yesterday decided to set up an independent disputes panel to hear the European Community's complaint against countervailing duties imposed by the US on imports of some European steel products.

The EC said yesterday the US system for calculating subsidies and compensating duties had "lost touch with reality". Punitive duties had been imposed where no subsidies existed, and the amount of the alleged subsidy was "excessively inflated" by "artificial comparisons and arbitrarily chosen benchmarks".

The panel investigation, which must be completed within 60 days, will look at the US methods of calculating the definitive countervailing duties imposed last January on imports of certain hot rolled lead and bismuth carbon steel products worth $19m a year from France, Germany and Britain.

Provisional countervailing duties on other steel products, yet to be confirmed, are not included in the panel inquiry, nor are provisional anti-dumping duties on nearly $1bn worth of EC steel exports to the US.

Canada, Japan, Brazil, Sweden and Australia, whose steel exports have also been hit by US anti-subsidy duties, said yesterday they shared the EC's concerns.

Royalist party objects to power parity with communists as UN continues vote count

Sihanouk scraps coalition government

By Victor Mallet in Phnom Penh

PRINCE Norodom Sihanouk, the unpredictable Cambodian leader, yesterday angrily renounced his new coalition government only hours after creating it, leaving in a state of confusion the Cambodian and United Nations officials who are responsible for administering the country.

The prince abandoned his plans in the face of opposition from the royalist party Funcinpec, led by his son Prince Ranariddh, and suggestions by UN officials that the move amounted to a bloodless coup d'état.

Addressing his father in a fax message as "most venerable Papa", Prince Ranariddh said he learned of the new government – in which he was supposed to be deputy prime minister – with "great surprise".

Funcinpec won the largest share of the vote in the election organised by the UN last week, beating the incumbent communist Cambodian People's party, but to the chagrin of Funcinpec the two parties were given equal powers in Prince Sihanouk's short-lived government.

The UN has not yet finished counting the votes, and the shape of the new Cambodian assembly, charged with writing a new constitution and forming an internationally recognised government under a UN-backed peace plan, is not yet clear.

Prince Ranariddh, who is apparently either in Bangkok or in a Funcinpec enclave on the Thai-Cambodian border, accepted in principle the idea of a coalition, but raised a number of objections.

In particular, he said it would be morally impossible for him to sit next to certain senior CPP officials because of their responsibility for murdering innocent Funcinpec members during the election campaign.

He said he would be unable to work with Prince Chakrapong, his estranged half-brother who is a CPP leader, because Prince Chakrapong wanted nothing better than his destruction, even his death. Prince Ranariddh also insisted that the CPP declare its acceptance of the election results.

Prince Sihanouk responded bitterly in another fax, renouncing his new government and telling his son that he would henceforth leave it to Funcinpec and the CPP "to assume responsibility for such bloody and tragic events as might afflict our unfortunate fatherland and our unhappy people".

Prince Sihanouk, who normally calls Ranariddh "my beloved son", addressed him coldly as "Royal Highness".

Cambodians were bemused by these royal manoeuvres. On the black market, the Cambodian riel soared yesterday morning on news of the coalition to 3,000 riels per dollar from about 4,500 on Thursday, before plunging as the government collapsed.

As negotiations continued yesterday between the UN and the various Cambodian factions on an interim arrangement for running the country, diplomats expressed concern that the existing CPP-led administration – which had been delighted by Prince Sihanouk's proposal – would be more reluctant than ever to hand over power.

There were also fears that Prince Sihanouk would lose interest in reconciling the rival factions after his abortive attempt this week and would seek refuge at his home in Beijing. "It's even more unhelpful when he's away," said one official of the UN Transitional Authority in Cambodia.

Negotiations are likely to continue for some time. In the words of another senior Untac official: "In Cambodian politics, if you paint yourself into a corner you can all of a sudden tunnel your way right out of the building."

Prime Minister Hun Sen (right) arriving with an aide for talks with Uutac chief Yasushi Akashi in Phnom Penh yesterday.

Upturn in Brazilian economy

By Christina Lamb in Rio de Janeiro

GROWTH figures released in Brazil yesterday showed a sharp upturn in the economy, strongly suggesting the country's four-year recession may be over.

According to the Federal Statistics Institute, the economy grew 4.36 per cent in the first quarter of this year compared with the last quarter of 1992, the biggest increase in a single quarter in 13 years.

The growth was attributed to bumper harvests and a revival of domestic consumption, because of lower interest rates and fears that the government would freeze financial assets.

Officials predict GDP growth for this year of 4 per cent, the highest since 1986.

The government was given a further boost by figures showing car production this month hitting a record rate of 124,000.

But the Fipe index of São Paulo university registered 29.14 per cent inflation for May, slightly up on the previous month. Other indices have been registering inflation above 30 per cent since April.

HK airport talks make good start

By Simon Holberton in Hong Kong

TALKS between Britain and China about financing Hong Kong's multi-billion dollar airport project, the first since October last year, got off to a good start yesterday, according to British officials.

They said Chinese negotiators were beginning to get to grips with the issues of financing the HK$164bn (£13.85bn) project, although signs from the first round of talks were not sufficient to convince them that Beijing wanted to settle the issue quickly.

More than a month ago Hong Kong presented a third financial proposal to the Chinese which seeks to address Beijing's concerns about the mix of debt and equity in the project. This appears to have found favour with China.

Hong Kong's plan to build a modern airport, a connecting railway, and other related projects has been a political football since it was announced in late 1989 in the wake of the Tiananmen incident in Beijing on June 4 of that year.

Until recently it was thought to be hostage to the outcome of talks in Beijing about Hong Kong's political development. However, it appear that Beijing might have decided to decouple the economic aspects of the colony's development from its row with Britain about politics.

Work has started on many of the project's nine core public works programmes, but failure to agree key elements of the financing has cast a cloud over the Hong Kong government's ability to build the airport proper, and the railway.

By the end of this month funding for the Provisional Airport Authority (PAA), the body responsible for the airport and its operation, runs out. The government said yesterday it would go the Legislative Council, the local law making body, for HK$564m later this month for funds for the PAA to cover operating costs until spring next year.

In an encouraging development yesterday Mr Tong Galsworthy, Britain's chief representative to the Joint Liaison Group, the body charged with overseeing the transfer of Hong Kong to China, indicated that his Chinese opposite number had raised no objection to extra funding for the PAA.

Patten given cool reception by Tory women

By Alison Smith and John Authers

MR JOHN PATTEN, the education secretary, faced sharp criticism at the Tory women's conference yesterday for pressing ahead with the school tests this summer, but insisted that he remained committed to testing and assessment.

Earlier both the tests and the minister had been defended vigorously by Mr John Major, who told the conference: "To opt for the quiet life in education would be to accept the second-rate."

The prime minister was applauded when, in a reference to the way Mr Patten had been booed and heckled earlier in the week, he called for "good manners" from headteachers as well as children.

On the last day of its conference, the National Association of Head Teachers stopped short of passing a motion of no confidence in Mr Patten, but the government came under renewed attack from Mr David Hart, the National Association of Head Teachers' general secretary, for "wasting" £29.5m in trying to implement this year's tests.

Mr Patten was unrepentant yesterday, as he argued that it would be disastrous to suspend the reforms. "That is why I am committed to high quality testing: this year, next year, every year," he said.

His speech, which acknowledged the difficulties on the "bumpy road" back from 1960s education policies but emphasised a determination to streamline the tests and curriculum, met a cool reception and gained only 20 seconds of applause.

The conference clearly agreed with him that there should not be industrial action by teachers, but some delegates were outspoken in saying that proceeding with the tests in the face of the boycott would be unsatisfactory.

Mrs Angela Comfort, from Essex, warned that governors and headteachers were being put in an impossible position over this summer's tests. "Teachers are united against the tests, parents are not behind them, independent schools won't use them," she said.

Mrs Stella Bye, a teacher in a London comprehensive school, won a warm reception as she told Mr Patten: "You have driven me to support union action, and it breaks my heart."

Several speakers at the Tory women's conference complained about the bureaucracy associated with the tests and with the national curriculum, a theme developed also by Mr Hart, in a fiercely critical speech at the his union's conference in Newcastle upon Tyne.

"It is nothing short of a disgrace to see millions of pounds wasted on national curriculum bureaucracy and paperwork at the expense of desperately needed staff, books and equipment in our schools," he said.

It was made worse, he added, because the Department for Education had also spent "some £2m or more" on "publicity stunts".

There was some encouragement for Mr Patten, however, in the standing ovation given by the head teachers to Sir Ron Dearing, chairman-designate of the Schools Curriculum and Assessment Authority, who has been charged with reviewing the national curriculum.

Loud applause greeted his comment that "teachers know best", and his commitment to do an "honest job".

Entrants to degree courses rise 22%

ADMISSIONS to degree courses at the universities and colleges covered by the Polytechnics Central Admissions System rose 22.2 per cent last year, figures published yesterday show, John Authers writes.

The figures, achieved in spite of a reduction in the number of 18-year-olds, was described by the Committee of Vice-Chancellors and Principals as "quite staggering" and a "pleasant surprise". It said the figures demonstrated the rising demand for higher education.

However, the committee added that applications may have been boosted by the effects of recession, as sixth-formers decided to delay seeking a job.

The Department for Education said: "This will be seen as evidence of the wisdom in getting rid of the binary divide between universities and polytechnics."

It warned that the increase would not be continued this year because the government has cut the tuition fees it pays to universities for each student.

Applications rose by about 20 per cent, while the proportion of applicants with a background solely in A-levels and AS-levels fell. Students coming from a BTec background accounted for 13.1 per cent of degree course admissions and a third of HND admissions.

Major to use veto on Euro work councils

By Alison Smith

THE UK will use its veto to block the introduction of mandatory works councils in large trans-European companies, Mr John Major, the prime minister, said yesterday.

Mr Major warned that if the controversial draft directive requiring such companies to set up elected works councils were revived, Britain would prevent any unanimous agreement needed for approval.

Britain insisted last week that the plan be taken off the agenda for the meeting of labour and social affairs ministers. It now hopes the threat of a veto will head off any plans to press ahead with the move during the Belgian presidency which begins next month.

Speaking at the Conservative women's national conference, Mr Major was unequivocal in his message to the other 11 EC countries.

"Let me spare them some trouble, let me tell them now: they are wasting their time. We have a veto on this issue, and I intend that we will use it," he said.

While Britain can block the directive under existing EC procedures, once Maastricht has been ratified and the social protocol comes into effect, the other 11 countries can introduce it.

Even though the UK has "opted out" of the social chapter, British companies could still be affected by the plans, since many have operations in continental Europe large enough to require them to introduce the new procedures for their operations outside Britain.

Mr David Hunt, the employment secretary, used his speech at the same conference to highlight the UK's concern that the EC was making itself uncompetitive.

He also underlined Britain's continued opposition to the working time directive passed by the social affairs council.

He told the conference that he was taking over responsibility for women's issues within the government, but sounded slightly defensive when he emphasised he would work closely with his predecessor, Mrs Gillian Shephard.

Last month's reshuffle left Mr Major with the dilemma of putting Mr Hunt in charge of women's issues or leaving those responsibilities to Miss Ann Widdecombe, a junior employment minister.

A miner's wife sheds tears as Vane Tempest pit in Seaham, County Durham, closed yesterday

Smith firm on voting change for candidates

By David Owen

MR JOHN SMITH yesterday set the stage for an autumn showdown with union leaders over the way the Labour party chooses its parliamentary candidates, pledging to press "hard" and "vigorously" for the introduction of one-member-one-vote.

Speaking on BBC Radio 4's The World at One, the Labour leader said he was "very clear" the party had to "move towards" such a selection system. "I am strongly committed to it and I will be arguing for it forcefully," he said.

Alluding to his recent suggestion that union members who pay the political levy and who wish to participate in the selection of parliamentary candidates should be entitled to cut-price membership of the party, Mr Smith said he wanted to see "as many trade unionists as possible taking part".

"This is not a debate about the links between the unions and the Labour party, it is about the Labour party having a clear democratic basis for selecting our candidates," he said.

Mr Smith has turned one-member-one-vote into a test of his own political credibility but has so far failed to secure the backing of most big unions. Mr John Edmonds, general secretary of the 860,000-strong GMB general union, is tomorrow expected to underline his unwillingness to compromise.

His views will be given in the context of a more general denunciation of Labour's failure to seize the political opportunities provided by the government's recent problems.

But Mr David Blunkett, the shadow health secretary and next year's Labour party chairman, will today signal his backing for Mr Smith's position. He will urge the party to give unequivocal backing to one-member-one-vote for selecting candidates for the next general election.

In a speech to a joint Labour Co-ordinating Committee/Tribune conference in Sheffield, Mr Blunkett will call on those who supported Mr Smith's election as leader to "renew their declaration of allegiance to his leadership".

Mr Smith expressed confidence that he would win the anticipated vote on the issue at Labour's autumn conference. "I believe we can win . . . and I am determined that that is what we shall do," he said.

Court for Walker trial named

TRIAL proceedings against Mr George Walker, former chairman and chief executive of the Brent Walker leisure and property group, were transferred to Southwark Crown Court, London, yesterday.

Mr Walker is charged with two counts of theft involving £12.5m allegedly stolen from the company and two counts of false accounting. The case against Mr Wilfred Aquilina, the former Brent Walker group finance director who is charged with two counts of false accounting in connection with the alleged thefts, was also transferred.

Mr Walker and Mr Aquilina were granted conditional bail by London's Bow Street magistrates. A date for trial has yet to be fixed.

Protest fishermen defy court

FISHERMEN yesterday ignored a court order to leave government fisheries offices in Plymouth, Devon, which they began occupying earlier in the day.

About 60 fishermen locked themselves in the offices in protest at new fish conservation laws which limit their days at sea. They said they would remain until the government suspended and reviewed its Sea Fish Conservation Bill.

An injunction was granted to the Ministry of Agriculture, Fisheries and Food at Plymouth Crown Court yesterday and served on the fishermen by a bailiff. They greeted his efforts with jeers and ringing bells, and refused to leave.

The ministry said it was up to the court to decide what action to take next.

The fishermen's leader, Plymouth Trawler Owners' Association chairman Mr Dave Pessel, said they would only leave if implementation of the bill was delayed "indefinitely" while a complete review was undertaken.

Mr Pessel said: "Our jobs and livelihoods are at stake. We are here to embarrass the ministry."

Office staff stood helplessly outside as the fishermen crammed into the building which now bears a banner saying "Plymouth Fishermen's HQ".

The fishermen said they expected colleagues from Brixham, Looe, Padstow and Salcombe to take over the protest in the days to come. The action is the latest in a series of protests against the bill.

Mr Michael Jack, the junior agriculture minister, said he was disappointed the fishermen had occupied the offices. He had asked fishermen's organisations to meet him, and he would listen carefully to what they had to say.

He said: "They have made their point and I hope they will allow the office to get on with its job."

The region's fishing leaders, who recently gave evidence to a Commons committee on the issue, have warned that the legislation would lead to bankruptcies among the region's 2,400-strong fishing fleet. They are taking legal advice about fighting the issue in the European Court.

MoD halts work on Tornado F3s

By David White, Defence Correspondent

A PRIVATE company caused damage thought to be worth millions of pounds to RAF Tornado fighters which it was contracted to work on, it emerged yesterday.

The Ministry of Defence said it cancelled the contract with the company, Airwork, last week after the RAF discovered damage of "a very serious nature" to a number of its Tornado F3s.

It was still assessing the extent of the problem, believed to be in the main fuselage sections. But it had already concluded that "the damage would in certain cases reduce the safe life of the aircraft".

The ministry said it would "certainly seek redress" from Airwork, which is one of the RAF's principal contractors for aircraft maintenance. Remedial work would be needed to allow the Tornados to fly safely, the ministry added.

Airwork, based in Bournemouth, Dorset, was carrying out structural modifications on the fighters at the RAF's St Athan base in South Wales.

Neither the ministry nor the company would say how many aircraft were affected. But Mr Rhodri Morgan, Labour MP for Cardiff West, said he had been told 16 out of 18 aircraft involved in the contract were damaged and 12 were grounded. He called for an inquiry and said all future maintenance should be handed back to the RAF.

"This is part of the government's market-testing mania which this time seems to have gone hopelessly wrong," he said, adding that he would write to the comptroller and auditor-general "because the costs involved in this affair should be made public".

Airwork, which in the last financial year undertook 49 ministry contracts, said it was "disappointed" by the cancellation decision, and said it had "a long and successful history of supplying services to the RAF". It added: "As in the case of any potential dispute, the company is not at liberty to discuss the matter."

The F3 is the air defence variant of the Tornado bomber, introduced in 1986. The RAF has about 100 in operational service, with about 60 more in reserve. The ministry said the incident would not affect the RAF's defence capability.

Six of the aircraft are involved in enforcing the no-fly zone in Bosnia. The UK is discussing a deal for Italy to hire some of the RAF's spare F3s as interim replacements for its Starfighters.

Mr Wyn Bevan, south Wales district officer of the electricians' section of the AEEU engineering union, said a bid by skilled civilian staff at RAF St Athan for the F3 work had been ignored by the ministry.

'Costly' Arts Council criticised

THE Arts Council, which distributes government support for the arts, is "cumbersome and costly", according to a report commissioned by Mr Peter Brooke, the national heritage secretary.

A review of its operations by consultants Price Waterhouse points to several areas of the activities of the council – which last year distributed £225m – where savings could be made.

The report says the administrative cost of projects and schemes is high, and that the council wastes resources with extensive consultations. For every £1 in funding delivered to artists through the council and the regional arts boards, 10p is spent on administration.

Mr Brooke made clear that while he did not regard this as too high, he felt there was room for improvement. He said: "I can certainly think of other organisations which manage to spend large sums of money without spending 10 per cent on administration."

He said he would consider the contents of the report and consult various groups over the next few weeks before deciding what action to take.

Mr Brooke added: "The report is radical and constructive. We are pre-occupied with getting the maximum amount of money into the hands of the artists."

The review says the relationship between the council and the heritage department is "ambiguous" in spite of Mr Brooke's commitment to allowing the council to take its own decisions.

It also concludes that the composition and procedures of the council are cumbersome and recommends changes including "streamlining" management teams and reducing the council's membership.

The review sets out three options for improving the council's operations:

- Relatively minor structural changes and a cut in staff numbers of about 20 – 12 per cent of the workforce – to achieve an annual saving of about £429,000.
- Extending the structural changes, shedding almost 40 staff and saving about £847,000, but leaving the council basically intact.
- Cutting the council to a core of 50 posts, leaving it to buy in expertise and services from other bodies.

Lord Palumbo, Arts Council chairman, said it would examine the options and consult regional colleagues before putting its advice to Mr Brooke.

Recruitment agency takeover

NRL, a national technical recruitment consultancy, has bought MSM Holdings and its network of offices in Aberdeen, Glasgow, Edinburgh, Newcastle, Manchester and Watford.

The price is not being disclosed. NRL – which is based in Egremont, Cumbria, with branches in Newcastle, Falkirk and Swindon – will have a staff of about 800 in the combined operation, with turnover of £15m.

The deal, arranged by KPMG Corporate Finance in Manchester, where MSM is based, includes the purchase of three smaller recruitment agencies.

NRL was bought out from John Laing with help from 3i last year for £1.5m by Mr Andrew Redmayne and his management team.

BBC Radio to seek tenders for shows

By Raymond Snoddy

BBC RADIO 4 is planning to "privatise" programmes such as Gardeners' Question Time and Feedback – the series that airs listeners' complaints.

These are part of the first slice of Radio 4 programmes to be put out to tender to the independent production sector.

A total of 150 hours of Radio 4 programmes will be on offer from April 1994. Proposals are being sought for of comedy, history and travel programmes. Radio 3 also plans to take 300 hours a year from independent producers, mainly of live chamber music.

BBC Radio is not required to offer a proportion of its output to independent producers as BBC Television is, but has decided to do so to bring in new people and fresh ideas.

Mr Michael Green, controller of Radio 4, said yesterday: "We're looking forward to the response from the independent sector and hope people will be excited by the possibilities now being offered."

The BBC specified yesterday that although Feedback would be produced independently from next year it will continue to be presented by Mr Chris Dunkley, television critic of the Financial Times.

Invesco case may speed pension deal

By Andrew Jack

CITY REGULATORY bodies may use the charges announced on Thursday against Invesco, the fund management group, to help accelerate an out-of-court settlement to reimburse pension fund money stolen by Robert Maxwell.

The Securities and Investments Board is holding out the prospect of using its powers under Section 61 of the Financial Services Act, which allows it to seek restitution for investors against organisations which have breached investment business rules.

It would be empowered under the act to take court action to recover money as a result of the 55 charges announced on Thursday against Invesco by the Investment Management Regulatory Organisation (Imro). The charges detail breaches of investment regulations.

Invesco agreed to pay a £750,000 fine and £1.6m in associated investigation and legal costs. By admitting the charges – which included three relating to the Mirror Group pension scheme – it may have strengthened the case of those seeking recoveries through civil action.

Car windscreen theft increases

ABOUT 500 car windscreens are being stolen each week and this is now the fastest growing form of car-related crime, replacement windscreen specialist Autoglass has warned.

The increase follows the introduction of a stricter MoT test which requires damaged windscreens to be replaced.

Christchurch Lib Dems play on Tory popularity dive

A disused car showroom seems an unlikely setting for a by-election victory, says **James Blitz**

MR WILLIE Rennie, a 25-year-old Scotsman, was yesterday sitting in a disused car showroom in east Dorset plotting the next big crisis for Mr John Major's government.

"I never underestimate the Tories," said Mr Rennie, who will run the Liberal Democrat's campaign from the showroom at the forthcoming by-election in Christchurch. "But even in this constituency, with its massive Tory majority, we are in with a chance."

In ordinary times, such words would be dismissed as by-election bravado. Christchurch, a quiet seaside town on the south coast of England would be seen as a safe sanctuary of the Conservative party.

The late Robert Adley, whose death forced the by-election, had one of the largest majorities, some 23,000, of any Conservative MP in the present parliament.

And Christchurch has one of the largest proportions of pensioners in any town in the country - most of whom have never thought of voting anything but Tory in their lives.

The Liberal Democrats will provide the main challenge in the by-election, and they aren't sitting by waiting for the date to be set – that most expect it to be in July.

Mr Rennie, a veteran of previous contests, could yesterday be seen talking into a portable telephone, outlining to colleagues the facilities in the headquarters around him: a 50-place car park for canvassers; sleeping accommodation for four and the newly arrived shipment of portable by-election furniture.

But if the local Conservatives feel vulnerable, they aren't showing it.

At the Conservative Association, the president was nowhere to be seen. And in the Conservative Club next door, Mr Wendy Salter, a bar attendant was amused by the suggestion that the Tories could lose. "It's very, very Conservative here," she said.

The apparent reason behind the Conservatives' confidence is they kept 8 of the 10 seats in the recent county council elections in Christchurch. However, the Conservatives have a problem in Christchurch that could be the key to any by-election upset. Pensioners feel deeply threatened by the government's most unpopular policies.

At the Highcliffe Community Centre, a question to a group of pensioners deep in a game of bowls about the imposition of VAT on fuel and the effect of higher prescription charges brought howls of derision.

"The government put its foot in it by announcing what they would do before they went ahead and implemented the measures," said Mrs June Mason, 62, until now a consistent supporter of the Conservatives. "I have had a bill from my dentist to the tune of £100. I cannot possibly afford that."

The government's progressive reductions in interest rates, while reducing negative equity for many houseowners, have also reduced the returns on pensioners' savings. "That loss of income has not angered people, but it has created concerns that were not present before," said Mr John Cooper, an independent member of the borough council.

A 50 per cent rise in bankruptcies in the town last year has not helped the Conservatives' cause, but not everyone blames them for that.

"I am not disappointed with the Conservatives," said Mr Terry Woodford, 62, whose French Country Kitchen shop is one of the few retailers still operating in one of the main shopping centres in the middle of town. "The current economic problems would have been difficult for any administration to avoid," he adds.

A Gallup poll this week revealing Mr Major as the least popular prime minister since opinion polling began suggests Mr Woodford may be in a minority. People are wondering whether even this constituency is safe.

The recent cabinet reshuffle, and Mr Norman Lamont's departure as chancellor, showed little sign of having helped to raise the government's fortunes.

"Major completely nullified the effect of Lamont's removal the day after it happened," said Mr Ray New, a local businessman standing on top of his 22-foot yacht in the local harbour. "The next day he said that economic policy would remain unchanged, but change is exactly what we need - in particular a concrete strategy for industry."

All these concerns are changing voters' allegiances. Strolling outside the Conservative Club yesterday, two pensioners said that for the first time in their lives they would not vote Conservative and that there is a possibility that the Tory party could lose this contest.

But is the tide strong enough to overturn a gargantuan majority? Mr Rennie of the Liberal Democrats is confident: "People do not think Lamont's removal was enough. They want to use this chance to make the government change its course or its leader."

Entrants to degree courses rise 22%

Court for Wal trial named

Recruitment agency takeover

Car windscreen theft increases

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Buoyant car sales underline recovery

By John Griffiths

REGISTRATIONS of new cars rose 11.9 per cent last month on a year-on-year basis, reassuring carmakers and traders that the recovery is still under way and that the drop in sales in April was a "blip".

Statistics from the Society of Motor Manufacturers and Traders yesterday were also particularly encouraging for UK-based carmakers, showing that the share of the market taken by imports fell by nearly 3 percentage points to 52.17 per cent compared with May last year.

For the first five months of the year, imports took 54.03 per cent of the market, down from 54.94 in the same period last year. UK car production this year has been running at its highest level for nearly two decades.

But the industry's optimism about the car market, and what it might imply for recovery in the economy overall, was tempered by continuing gloomy statistics from the commercial vehicle sector.

Last month's registrations of vans, trucks and buses were down 4.45 per cent on May last year and down 4.46 per cent for the first five months of this year, even though last year was one of the worst in the commercial vehicle industry's history.

May's 136,389 new car registrations, up from 121,862 in the same month last year, lifted total registrations for the first five months of this year to 725,116 – an 8.85 per cent rise on the 666,179 registrations in the same period last year.

Mr Roger King, the society's director of public affairs, said yesterday: "After the slight blip in April, when the figures slipped back by 1.9 per cent, the encouraging trend in the May registrations suggests that recovery is still under way."

May's performance means that the new car market has risen in 11 of the past 14 months.

Although Ford remains the UK market leader, a feature of the May market was the strong performance put up by Vauxhall, General Motors' UK car subsidiary, which captured the first two places in the "top 10" list of best-selling cars and increased its market share by more than two percentage points to 19.46 per cent.

This was only just behind Ford's 20.55 per cent share. However, Ford is only just starting to reap the benefit of the Mondeo, which replaced the Sierra, and which won fifth place in the best sellers' list last month even though supplies are still building up.

Rover, which also has yet to feel the full benefit of its new 600 range, lost ground last month. But its 13.24 per cent share of the market for the first five months is up nearly a percentage point on the same period last year.

UK CAR REGISTRATIONS – JANUARY-MAY 1993

	May 1993			May '92	January-May 1993			Jan-May '92
	Volume	Change%	Share%	Share%	Volume	Change%	Share%	Share%
Total market	136,388	+11.82	100.00	100.00	725,116	+8.85	100.00	100.00
UK produced	65,233	+19.06	47.83	44.96	333,315	+11.05	45.97	45.06
Imports	71,153	+6.08	52.17	55.04	391,801	+7.04	54.03	54.94
Japanese makes	15,791	+10.26	11.38	11.76	90,397	+18.76	12.46	11.44
Ford group	28,421	+17.41	20.84	19.86	162,344	+5.04	22.39	23.20
– Ford	28,022	+17.18	20.55	19.62	159,799	+4.93	22.04	22.86
Jaguar	399	+36.18	0.29	0.24	2,545	+13.01	0.35	0.34
General Motors	27,185	+24.63	19.93	18.83	127,698	+3.55	17.61	17.91
Vauxhall	26,547	+26.12	19.46	17.27	123,735	+4.00	17.06	17.86
– Lotus	8	-84	0.01	0.04	58	-77.44	0.01	0.04
– Saab*	630	-11.77	0.46	0.59	3,805	-4.55	0.54	0.61
Rover**	19,831	-0.03	14.54	16.28	95,992	+13.93	13.24	12.65
Peugeot group	15,667	+11.54	11.49	11.63	82,549	+2.52	12.49	11.79
– Peugeot	11,074	+9.92	8.12	8.27	50,677	-5.47	8.09	8.05
– Citroen	4,593	+15.66	3.37	3.26	31,872	+27.96	4.40	3.74
Volkswagen group	8,749	+9.84	6.42	6.54	41,296	+2.23	5.70	6.08
Volkswagen	5,300	+6.06	3.89	4.10	27,551	+6.60	3.80	3.89
–Audi	1,692	+3.11	1.24	1.35	8,616	+9.38	1.19	1.18
– SEAT	913	+33.67	0.67	0.56	3,267	-4.39	0.45	0.51
– Skoda	844	+31.06	0.62	0.53	1,882	-43.62	0.26	0.50
Renault	6,269	+19.82	4.60	4.29	38,841	+29.23	5.36	4.51
Nissan	5,822	+17.76	4.27	4.06	33,872	+18.77	4.67	4.28
Toyota	4,002	+43.29	2.93	2.29	22,415	+46.90	3.09	2.29
Volvo	3,820	+7.85	2.80	2.91	17,920	-11.33	2.47	3.05
BMW	2,892	-14.87	2.12	2.79	17,017	-4.79	2.35	2.68
Fiat group	3,340	+42.31	2.45	1.99	16,391	+23.97	2.26	1.98
– Fiat	3,194	+46.72	2.34	1.79	15,267	+26.34	2.11	1.81
– Lancia	16	-70.38	0.01	0.04	251	0.00	0.03	0.04
– Alfa Romeo	130	+12.07	0.10	0.10	873	-1.58	0.12	0.13
Honda	1,825	-8.62	1.34	1.64	11,322	+2.90	1.56	1.65
Mercedes-Benz	1,469	-16.58	1.08	1.45	8,638	-15.20	1.19	1.53

*GM holds 50% of Saab Automobile and has management control. ** Includes Range Rover.

Source: Society of Motor Manufacturers and Traders

One of the most sharply improved performances last month was from the Fiat group, which showed the first signs of reversing several years of decline in the UK market. Its registrations were up 46 per cent in May, and are running 26 per cent higher for the year so far.

The top 10 sellers for last month were the Vauxhall Cavalier; Vauxhall's Astra; the Ford Fiesta; the Ford Escort; Ford's Mondeo; the Rover 200 series; the Peugeot 405; the Rover Metro; Vauxhall's Corsa and the Rover 400.

Time Warner maintains its C5 interest

By Raymond Snoddy

TIME WARNER, the world's largest media company, is believed still to be interested in taking a stake in the proposed national Channel 5 channel.

The company, with Atlanta-based media group Cox, is waiting for publication of a report on the future of Channel 5 by the Independent Broadcasting Authority next month.

A large ITV company might also be interested in joining the loose group of potential investors. Industry speculation suggests this could be Granada.

Time Warner was a member of Channel 5 Holdings, the only consortium to bid for the franchise last time. The bid was rejected by the ITC in December, partly because Time Warner was only able to confirm part of its investment. Pearson, owner of the Financial Times, had also expressed an interest. But because of cross-media ownership rules it would have been able to take only a 5 per cent stake.

The ITC will set out three main options for Channel 5 in next month's report:

Similar rules to those advertised last time, a channel capable of reaching around 74 per cent of the UK population.

● A narrower option based on separate city television stations.

● The development of digital television.

Time Warner advisers are interested in the national Channel 5 option and believe ways can be found to minimise the need to retune video recorders – because of interference caused by the Channel 5 signal.

Late-night deal fails to save most BA flights

By Lisa Wood and Paul Betts

A PEACE deal between British Airways and the TGWU transport union was agreed too late to avert a 24-hour strike which yesterday disrupted most of BA's 420 daily flights from London's Gatwick and Heathrow airports, the two busiest in Britain. The deal was reached late on Thursday night.

But as normal services resume today, two other disputes at BA remain unresolved. One involves the airline's 3,000 pilots who have voted 5-1 to strike in pursuit of a claim for common contracts for all the group's pilots, although the British Airline Pilots' Association said it was "optimistic of getting back into talks with BA".

A second dispute involves 300 cabin and ground staff at Gatwick airport who have rejected the offer of a 3 per cent pay rise. The staff, who are employed by the BA subsidiary British Airways European Operations Out of Gatwick (BA EOG), have voted for strike action.

BA said it was difficult to estimate the cost of disruption to yesterday's services. It carried only about half its normal daily load of passengers – about 35,000 instead of 70,000.

BA normally has 420 flights from Heathrow and Gatwick on weekdays. All flights from Gatwick save one were cancelled yesterday, but 18 long-haul flights left Heathrow, ensuring that these aircraft were in position for return flights tomorrow.

Eleven European flights took off, but all domestic flights were cancelled. Passengers unable to travel were offered either re-bookings, refunds or flights with other airlines.

The company insisted there was no question of dropping BA EOG, the low-cost operation which has been the catalyst for the dispute. BA EOG was set up to operate flights to European destinations after BA took over Dan-Air's loss-making operations last year – rates of pay reflect the generally lower pay scales which operated in Dan-Air.

Colin Beere

Grounded: BA check-in desks at Heathrow's Terminal Four were deserted yesterday because of the 24-hour strike which went ahead in spite of Thursday's agreement

The TGWU said widespread staff fears over job security were at the heart of the dispute.

The deal agreed by BA and the TGWU had four main elements:

● BA agreed it had no plans to create any new subsidiaries other than those already announced – and, if it did consider such a move, it would consult with the national joint council which represents management and staff.

● BA agreed to consult unions over any further sub-contracting of services.

● Agreement was reached on the number of overseas cabin crews on flights.

● The deadline for staff who wished to transfer to BA EOG at Gatwick – an option, for example, for workers who live nearer Gatwick than Heathrow – was extended to November. Staff transferring will not suffer pay cuts and basic rates of pay will be frozen until those of existing BA EOG staff catch up. The deal was presented by BA as a "staff charter" which it said reaffirmed assurances over the airline's business development and job security.

Talks will take place next week on the other disputes. BA said a dispute involving clerical workers who are members of the GMB general union at Gatwick should now be resolved quickly.

Mr Chris Darke, general secretary of the pilots' association, said the key to resolving the pilots' dispute was a common contract of employment for staff employed by BA and BA EOG. Pilots at BA EOG earn about 30 per cent less, but Mr Darke said money was not the main problem – the BA EOG pilots want assurances that they can move between BA EOG and the main company.

PW faces further BCCI probe

By Andrew Jack

PRICE WATERHOUSE faces investigation on three further substantive grounds by the accountancy profession's highest disciplinary body for its role as auditor to the collapsed Bank of Credit and Commerce International.

The firm is being examined by the Joint Disciplinary Scheme to determine whether its audits should have detected the fraud at BCCI earlier; and whether the form of its audit report for the 1990 accounts was adequate in view of the issues that came to light during that year.

It is also being investigated to consider whether helping the BCCI management with the restructuring of operations and advising the government of Abu Dhabi, the majority shareholder, adversely affected or was compatible with its role as auditor to the bank.

An inquiry into the "conduct and competence of members and member firms" in relation to the collapse of BCCI was announced in April last year by the scheme, operated by the Institute of Chartered Accountants in England and Wales, its sister institute in Scotland, and the Chartered Association of Certified Accountants.

Fuller details of the investigation have emerged as a result of documents lodged in the High Court when Price Waterhouse requested a judicial review to stall the progress of the scheme.

Price Waterhouse argued that any proceedings from the inquiry would be subject to legal discovery and could prejudice the outcome of writs against the firm by the liquidators to BCCI for more than $8bn.

It requested a delay until after this action was completed, which was resisted by the scheme, which wants to proceed as quickly as possible.

But Mr Justice Tuckey has granted Price Waterhouse leave for judicial review next month.

Travel group's accounts were queried

By Michael Skapinker, Leisure Industries Correspondent

A TRAVEL company which collapsed shortly after being told by Mr Michael Heseltine, trade and industry secretary, that it did not require bonding had its most recent accounts qualified and had not kept accurate records since then, creditors heard yesterday.

Mr Jeremy Berman of joint liquidators Berley and Co told a creditors' meeting in London that the auditors of SFV Holidays, which collapsed last month, had qualified its 1991 accounts because of questions arising from a property sale after the year end.

Accounts for 1992 had not been completed when the Oxford-based company went into liquidation, but Mr Berman said the financial records held by SFV's management were inadequate. "The management information I've seen is very poor. The accounts I've seen on their computers are inaccurate. They are in no condition for any management to make a decision on the running of the business."

SFV was not bonded and had not made alternative arrangements to protect customers' money. The company wrote earlier this year to Mr John Patten, education secretary and an Oxford MP, saying they were unable to comply with an European Community directive which requires package holiday operators to ensure that clients' money can be returned if the company fails.

SFV had been refused membership of the Association of Independent Tour Operators and could not persuade any insurance company to provide it with a policy to protect its customers. The company said it believed it was obliged to comply with the directive.

Mr Patten wrote to Mr Heseltine about the company's concerns last January and April. Mr Heseltine replied to Mr Patten saying he had examined SFV's brochures and concluded that the company did not have to comply with the directive as it was not a package tour operator. This was because – while the company sold self-catering accommodation in France – it allowed customers to specify what ferry service they wished to use.

Mr John Cullom, SFV's managing director, told yesterday's meeting that he agreed with one creditor who said the company should have fallen within the ambit of the directive because it was selling inclusive accommodation and ferry holidays.

Mr Berman said the company owed customers just over £1m. Of this, £750,000 had been paid by credit card and customers would be able to get refunds. The remaining customers are ordinary creditors. The company's total deficit is £1.2m.

SFV's client list was earlier this week sold to Kingsland Holidays of Plymouth which said it would attempt to ensure that trips booked were able to go ahead. The company said, however, that about 600 of the 3,000 holidaymakers who had booked with SFV had not paid by credit card and would not receive refunds. The 600 would be able to re-book their original holidays but would have to pay again.

Top AEEU officials meet Timex executives in London

By Robert Taylor, Labour Correspondent

A SECRET meeting was held last night in London between senior executives of Timex and the national leaders of the AEEU engineering union to discuss how to resolve the four-month dispute at the company's Dundee plant.

Thursday's unanimous rejection of a peace plan negotiated between the company and the union shocked both sides and they want to see whether any further progress is possible.

Privately, union officials are amazed at the derisive way in which the strikers – most of whom are women – treated the offer. When the officials arrived in Dundee they were ready to recommend the deal to the workforce, but the shop stewards refused to accept it.

The shop stewards made clear they would settle only for a return to work for all 340 strikers without any strings attached, such as the proposed 12-month wage freeze and cuts in fringe benefits.

The chasm between the strikers and local union officials on the one hand and the union's national leadership on the other has never looked wider. The union is concerned that the strikers are living in an unreal world, buoyed by media publicity.

"The danger is that Timex will turn into a circus," said one official. On June 19 a demonstration is planned in Dundee against the company, which has few friends left in a city with a strong union tradition.

Hard-left supporters see Timex as a chance to revive their fortunes after many years of defeat on the industrial scene, and are holding collections all over the country.

Timex may not have realised the momentum that has built up behind the strike it precipitated when it sacked the entire workforce and replaced it with another.

One union official said: "The women are in no mood for compromise. They feel insulted and they won't give up."

Unlikely alliances bring aviation success

Paul Betts on the success of Shorts under Catholic ownership in a Protestant bunker

IN THE industrial sprawl of east Belfast's docklands, the world's oldest mass producer of aircraft faces a double test. Short Brothers is trying to rejuvenate a business that was all but given up for dead four years ago. Its new Roman Catholic ownership, operating out of a traditional Protestant bunker, is striving to encourage harmony and co-operation in a split community.

Since its privatisation in 1989 and its sale to the French-Canadian Bombardier transport equipment group, Shorts, Northern Ireland's largest employer outside the public sector, has become the largest private-sector employer of Roman Catholics in Belfast.

Mr Roy McNulty, president of Shorts, says the proportion of Catholics employed by the company has risen to about 13 per cent from only 8 per cent a few years ago.

The unlikely alliance between Bombardier, which is relatively new to the aerospace industry, and one of the most historic names of aviation, rooted in Protestant Belfast, has produced one of the few recent success stories in the aerospace industry.

"Four years ago we had no money, no modern equipment," says Mr McNulty. "We were doomed." Since privatisation, sales have doubled. From a loss of £46.9m in 1988, Shorts made £26.5m in 1991 and £28.5m in 1992. Mr McNulty predicts "another good solid profit" this year.

As part of its recovery strategy, Shorts has worked to develop harmonious working relations inside its plants in order to remove religious animosity from the factory floor.

Encouraged by Bombardier, the company has invested in internal training, in education programmes for Protestant and Roman Catholic schools throughout Northern Ireland – including programmes on aerospace and other advanced technologies for primary schools – and the endowment of a new university chair of aeronautical engineering.

Mr McNulty says the company is spending 2 per cent to 3 per cent of its annual £392m turnover on training and is moving its training facilities into the centre of Belfast to attract more people who may have been wary in the past of approaching the company in the Protestant area of east Belfast.

While maintaining tight control on costs and overall strategy, the French-Canadian conglomerate has traditionally left subsidiaries to manage their own affairs.

"They don't buy companies to change them but let the management in place get on with it," says Mr McNulty. He says Bombardier has adopted a sympathetic approach to the problems of manufacturing in Northern Ireland. "They are as confused as most people about the political situation here, but they also have tensions in Quebec that are not so different."

The fact that Bombardier was prepared to take over and maintain Shorts as a corporate entity was one of the main reasons why the government agreed to sell it to the French Canadians. An alternative joint bid by the UK General Electric Company and Fokker, the Dutch aircraft manufacturer, was rejected because of fears that Shorts might be split.

"The crucial thing to remember," said a UK aerospace industry analyst, "is that should anything happen to Shorts, it would have a huge economic and political impact on Northern Ireland. Shorts has been a pillar of stability for the Northern Ireland economy, and if the pillar started crumbling it would have shattering repercussions."

Although Shorts has not escaped the recession, its workforce has increased by nearly 10 per cent during the past four years from 7,700 at the end of 1988 to around 8,300 today after reaching a peak of 8,982 last year. This has been at a time when the UK aerospace industry as a whole has suffered a 25 per cent decline in employment.

"Privatisation was the essential catalyst for the transformation of Shorts," says Mr McNulty, admitting it was an expensive exercise, costing the government about £800m to write off debts and recapitalise the company before selling it for £30m.

"For a decade our government owners put nothing in the business," Mr McNulty says. "Capital investment per employee was the lowest in the industry; we were getting an average of £3m a year from the government, which had to approve any investment over £100,000; our plants were still operating with second world war machines and technology."

Bombardier's strategy was "to fix what we've got" rather than start afresh.

"We've been living in a continuous building site since privatisation, upgrading and investing in new machinery," says Mr Ken Brundle, head of Shorts' aircraft division.

In the past, the company had to sub-contract much high-value-added machining and other work outside Northern Ireland because of lack of adequate equipment. Investment has enabled it to reverse that process.

"We used to have as many as 110 machinery sub-contractors all over the world: we now have only 12 of which eight are in Northern Ireland employing a total of about 4,000 people," says Mr Brundle. Improved motivation and work practices as well as new equipment have brought a big boost to productivity.

Manufactured success: Shorts makes this 32ft centre fuselage section of the Canadair Regional Jet

In 1989 it took Shorts 40,000 man-hours to complete a wing set for the Fokker 100 regional jet. Last year, according to Mr Brundle, it took just under 17,000 man-hours to complete the same wing set.

A new wage and salary structure has been introduced and the number of shop stewards reduced.

Next week, Shorts is expected to try to capitalise on its new relations with the French-Canadian company at the world's biggest air show in Paris and win new business. In so doing, it hopes to continue restoring Northern Ireland's reputation as a centre of aerospace manufacturing activity.

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The shock of the old

THE STOCK market's instant reaction to this week's depressed set of money supply figures was to assume that a cut in interest rates was moving inexorably closer. Certainly a cut is the kind of gesture that might be expected of a populist chancellor; and in some moods, that is what the market hopes that the new incumbent at Number 11 Downing Street, Mr Kenneth Clarke, will turn out to be. But in the absence of appropriate reassurance on fiscal policy, the cheer might very quickly turn to alarm. The folk memory of the roaring 1980s remains strong, giving rise to the inevitable question: could it all happen again?

For those in the housing market whose mortgages now exceed the value of their homes, the equally inevitable answer is: yes please. But lightning in the financial markets never strikes in the same place twice. Indeed, the danger after a particularly extreme economic cycle is that policymakers react to the old problems instead of the new. As the conflicting signals emerging from the housing market suggested this week, a dramatic surge in house prices, which was at the heart of asset price inflation in the 1980s, is not in the offing for a long time yet.

That said, the most savage downturn in the UK housing market since the second world war is probably at an end. The signs are apparent in housebuilding, in mortgage-lending and in turnover in the housing market. The fact that the Halifax Building Society reports that average prices fell in May by 1.2 per cent, whereas Nationwide had earlier reported a 1 per cent increase, merely tells us that what ought to be happening is happening. In a recession driven by debt, where between 1½m and 2m home-owners have negative equity and repossessions are running at record levels, the restraining influence on house prices is considerable.

Psychological turn

The reason why the British became so enamoured of housing in the post-war period was largely to do with gearing. Because so much of the purchase price was financed by borrowing, a small rise in house prices led to a much bigger rise in the equity in the home. The fact that gearing exaggerates the impact of downward price movements on equity, as well as upward movements, was obscured until the 1990s by high inflation. The big question now is whether the first sharp fall in nominal house prices since the war has broken that psychology.

Research revealed by the Building Societies Association this week showed a significant fall in the number of people aged between 16 and 34 wanting to own a home within two years. Taken together with the looming squeeze on real incomes implied by the current Finance Bill, that amounts to a very powerful damper. So, too, does the expected decline in the size of the first-time buying age group in the second half of the decade.

The constraint on demand will be further reinforced by the retreat from lending at absurdly high percentages of value. Increased prudence, more expensive insurance premiums and tougher prudential rules have already forced people to save more and longer before buying. This week the chairman of the Building Societies Commission, Mrs Rosalind Gilmore, announced that the risk weighting she applies to building society assets will be changed to encourage a further reduction in the percentage of value on which societies lend.

Future shocks

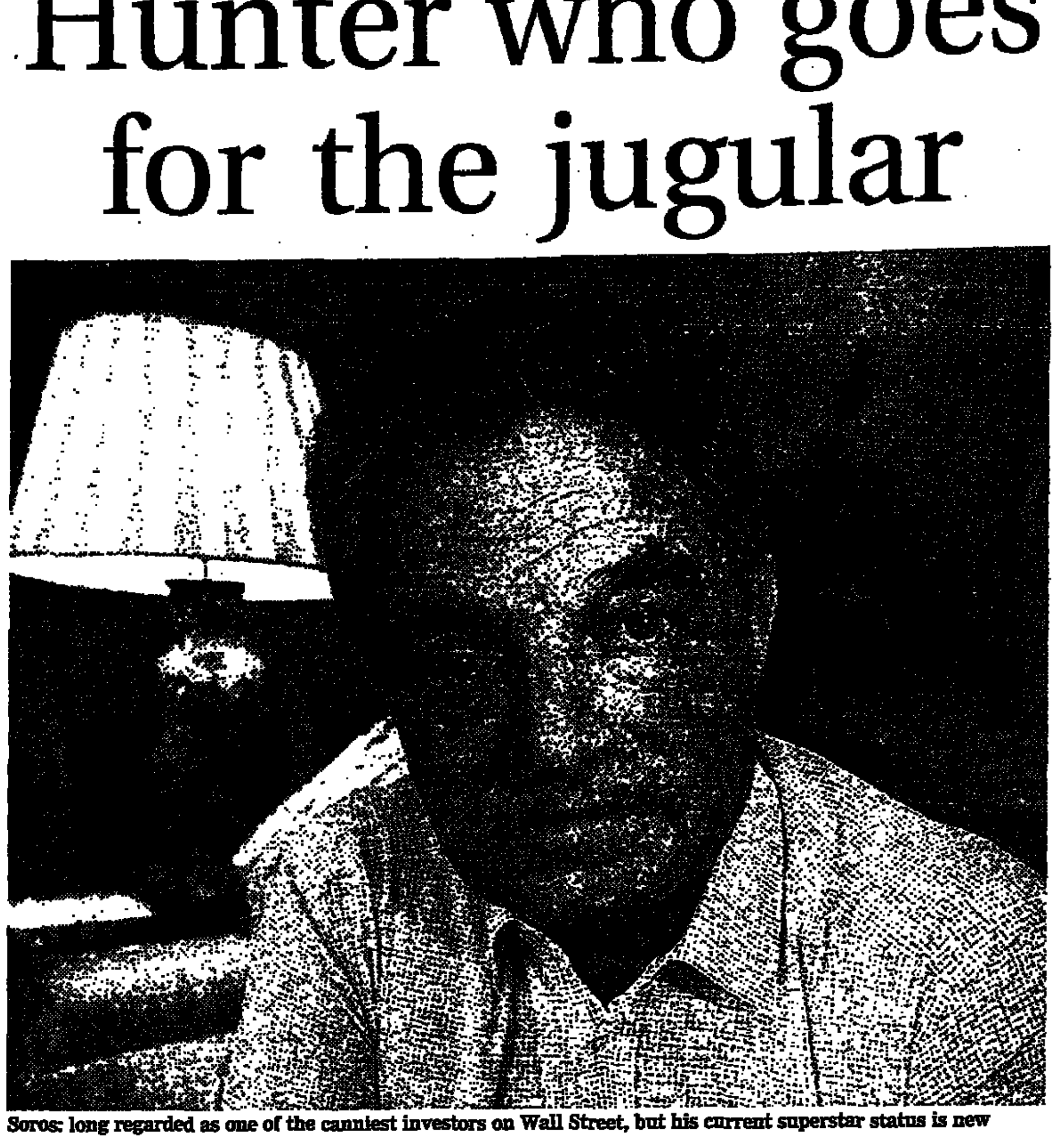
All this tends to confirm that the risk of another house price spiral is remote. But that does not mean that further financial shocks can be ruled out. Where depositors exercise no discipline over bank and building society management, growth-hungry lenders find themselves engaged, when the economy turns up, in a constant battle with the regulators. And while the authorities can dictate the rate of growth in the reserve base of the banking or building society system, it is the financial structure that dictates the efficacy with which those reserves are deployed.

That is another way of saying that financial innovation tends to leap-frog regulatory awareness. It happened in Britain in the 1980s, with financial deregulation. And it is not inconceivable that it could happen again in the 1990s in the building society movement. There has, for example, been a notable recent shift towards fixed rate mortgage-lending. But whereas, in the past, a mismatch between short-term deposits and longer-term fixed rate loans would have caused the societies to lend more cautiously, today the risk in the mismatch is neutered by using interest rate swaps. In a more speculative climate the temptation to hedge less, and to speculate more might increase. Or, again, under-regulated counterparties in the swap market might take aboard excessive risk.

Mrs Gilmore is acutely aware of such issues and has delivered the appropriate warnings. But the pace of financial innovation makes it harder to read each new twist and turn in the financial structure. The only certainty is that when the next shock comes, it will take a different form from the last one. And come, it will. Only the timing is in question.

Martin Dickson and **Patrick Harverson** examine the successes and setbacks of the financial empire of George Soros

Hunter who goes for the jugular



Soros: long regarded as one of the canniest investors on Wall Street, but his current superstar status is new

Mr George Soros has become that rarest of investment gurus – an individual with such mystique that his actions can trigger large jumps in financial markets around the world. Where Mr Soros goes, a motley army of fans stampedes behind.

This remarkable power was demonstrated in Britain this week when the New York-based fund manager announced plans to invest £284m in the stricken British property market through a £500m partnership with British Land, the property company headed by Mr John Ritblat.

UK property stocks immediately rose 6 per cent and observers rushed to pronounce the deal as definitive evidence that the market had turned for the better.

Six weeks ago Mr Soros had a similar impact on the world gold market. News that funds under Soros management had bought a 10 per cent stake in the US company Newmont Mining helped spark a strong rally in the price of gold.

Mr Soros has been regarded for the past 20 years as one of the canniest investors on Wall Street, but his current superstar status is something new. It dates from last November, when he let it be known that his funds had made about $1bn on "Black Wednesday" last September by taking a huge, correct, bet that the British government would be forced to devalue sterling.

Mr Soros was hardly alone. Many foreign exchange traders had made the same calculation, but the sheer size of the Soros speculation – on his reckoning, his Quantum Group of "hedge" funds had some $10bn committed to the bet – gave him a reputation as the "man who broke the Bank of England" and an aura of unerring investment expertise.

Like most "Midas-touch" reputations, his has become somewhat overstated. As he is the first to acknowledge, he has made his share of mistakes down the years. And since 1988 many important elements of his investment strategy have been devolved onto his publicity-shy American lieutenant, the 39-year-old Mr Stanley Druckenmiller, who oversees day-to-day investment activities.

Nevertheless, the duo are greatly admired on Wall Street. Mr Julian Robertson, who runs Tiger Management, one of the biggest hedge funds, says of Mr Soros: "He's a brilliant man and has a fabulous lieutenant in Stanley Druckenmiller."

So just how good is Mr Soros's track record? How do his funds operate? And what can other investors learn from his methods?

From a 33rd-floor office with a magnificent view of Manhattan's Central Park, the 62-year-old Hungarian-American runs Soros Fund Management, which sets the investment strategy for the unquoted Quantum Group, which has assets of about $8bn.

Hedge funds, which invest in a wide range of liquid assets, such as stocks, bonds, currencies and commodities, have been a feature of US financial markets since the 1960s. But neither they, nor their investment technique, are suitable for the small investor. Managing them requires access to large amounts of capital, very strong nerves, fast reflexes and a willingness to take huge risks.

Unlike most traditional mutual and pension funds, which are restricted to certain investment strategies by industry regulators or internal policy, hedge funds are free to use complex, speculative trading methods to maximise investors' returns, including using leveraged funds (money borrowed against the value of assets), and hedging techniques.

The most common form of hedging is short-selling, which is when a trader or investor sells a security he does not own in the hope that later, when it has to be delivered to the buyer, the security can be acquired at a lower price. It was this technique which Mr Soros used before Black Wednesday, when he "shorted" sterling.

Hedge funds are only for the very rich, or for financial institutions. The Securities and Exchange Commission, which oversees the US financial markets, requires that individual investors in such funds have a net worth totalling at least $1m, or annual income of at least $200,000 for two consecutive years. Most fund managers require their investors to be even wealthier.

And in the case of the Quantum Group, investors cannot be American citizens or residents. This is because the funds, domiciled in the Netherlands Antilles or the British Virgin Islands, are not registered with the SEC, since this allows them more operating flexibility and freedom from US disclosure rules.

Most of Quantum's investors are thought to be European, and Mr Soros himself is rumoured to own between 25 and 30 per cent of the funds.

Born in Hungary in 1930, Mr Soros suffered early hardship when he and his Jewish family spent much of the second world war in hiding from occupying Nazi forces. After the war, aged 17, he moved to Britain, attended the London School of Economics and worked for the securities firm of Singer & Friedlander before moving to the US in 1956.

In 1969, after working for several Wall Street houses as a trader and analyst, his investment career took off when he was assigned the management of an offshore vehicle which grew into Quantum Fund, the largest fund in the group.

Mr Soros and his then partner, Mr Jim Rogers, gained a reputation in the early 1970s for shorting some favourite fund managers' stocks, such as Disney and Polaroid. In 1985 he made what he called "the killing of a lifetime" by speculating in the yen at the time when the Plaza Accord was sending the value of the Japanese currency soaring.

But there have also been many big losses. On his own account, he lost money trading currencies in the four years before the Plaza Accord. Most famously, Quantum Fund is estimated to have lost up to $800m in the 1987 Wall Street crash, though it still managed to boost investment returns by 14 per cent during that year. Mr Soros, who had been warning that the Japanese market was wildly overpriced, had been expecting a crash, but not one beginning in the US.

Still, by any reckoning the Quantum Fund has one of the best and most consistent records of any large fund over such a long period. It claims a compound annual rate of growth since 1969 of 35 per cent, after fees and expenses, and has had only one year, 1981, in which the value of investments fell.

Micropal, a London company that tracks international investment funds, says that Quantum Fund is the top performer over both the past three and five years among the 57 large derivative, leveraged and geared funds that it follows, with returns of 296 and 503 per cent respectively. Over the past year, Quantum ranked third, earning a return of 67 per cent.

Beginning with only $4m under management, Quantum Fund now has about $4.1bn – and that after distributions to investors of $3.4bn to keep its size manageable. For the same reason, Mr Soros has spun off four other funds from Quantum since 1991 – Quasar International, Quota, Quantum Emerging Growth and Quantum Realty Trust.

Mr Soros himself has increasingly drawn back from day-to-day involvement in the funds, which are run by a team of about a dozen managers, led by Mr Druckenmiller.

Mr Soros, while still coach and strategist to the team, spends a substantial part of his time involved in philanthropic work in eastern Europe. Starting in 1979, he has set up several foundations to encourage freedom of expression in the former Soviet bloc and is estimated to have given away some $200m to $300m to this and related causes.

In a rare interview with Mr Jack Schwager, author of the book New Market Wizards, Mr Druckenmiller admitted that his first six months with Mr Soros were fairly rocky, as the two men had different strategies. But then came the collapse of the Soviet Empire and "with George in eastern Europe, he couldn't meddle even if he wanted to".

Mr Druckenmiller has a strong investment reputation. Appointed head of equity research at Pittsburgh National Bank at the young age of 25, he set up his own money management firm, Duquesne Capital Management, three years later. He still handles this very successful fund, alongside his Quantum responsibilities.

Whatever the early friction, the two men clearly have a very similar approach to investing. Mr Soros, a man given to philosophical musings – he described himself as a "financial and philosophical speculator" when receiving an honorary Oxford degree – tried to sum his ideas up in a complex book called the Alchemy of Finance.

His theory of "reflexivity" holds that markets are moved partly by irrational pyschology, rather than any scientific rules, with perceptions changing events, and events in turn changing perceptions. In simpler language, markets tend to go to extremes, opening up great opportunities for profit.

But for all the philosophy, other Wall Street investors say Mr Soros's greatest traits – as with every successful trader – include the willingness to reverse his position in an instant, when he recognises he has made a mistake.

In his book interview, Mr Druckenmiller says that probably the most important thing he has learnt from Mr Soros is that "it's not whether you're right or wrong that's important, but how much money you make when you're right and how much you lose when you're wrong. The few times that Soros has ever criticised me was when I was really right on a market and didn't maximise the opportunity ... Soros has taught me that when you have tremendous conviction on a trade, you have to go for the jugular."

For all its success, Quantum Fund is not trouble-free. The group was was one of three big New York funds accused of involvement in 1991's Salomon Brothers bond auction scandal. While all were given a clean bill of health by goverment investigations, the three are being sued in the New York courts by investors for allegedly conspiring with a Salomon trader to corner the market in certain government securities. Quantum denies the charges.

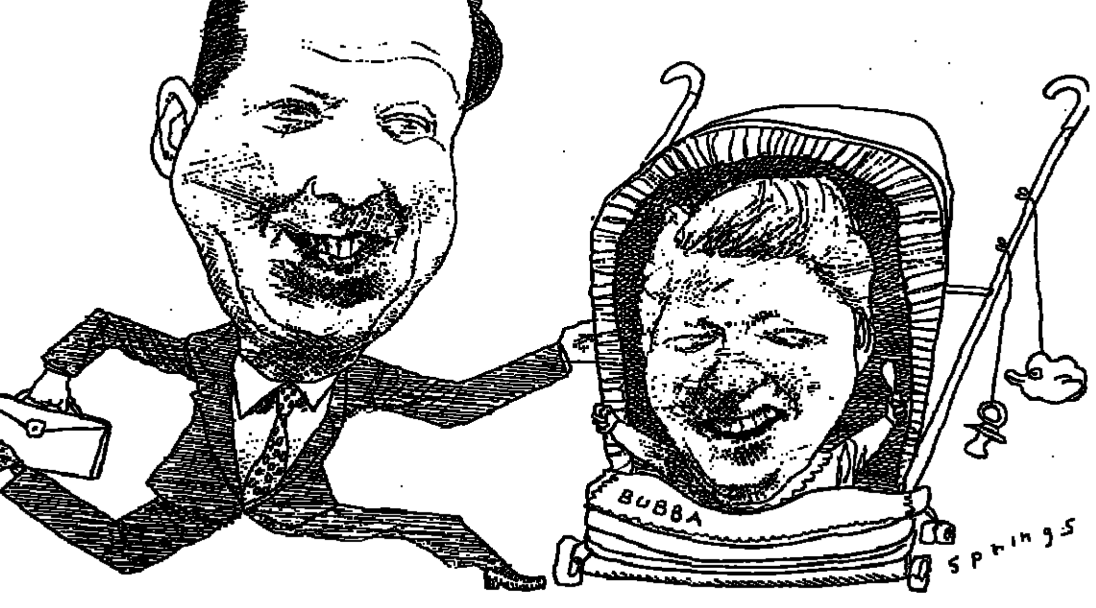
More fundamentally, as the group gets bigger, it becomes harder for the funds to keep up their historic growth rates, and the number of investment areas in which they can make a killing diminishes. The currency markets, which dwarf all others, are probably Quantum's best hunting grounds.

"We're like a super-tanker in a way," Mr Soros acknowledged in a recent interview. "Very efficient, but we can only put into two or three ports." So far, it has been a very lucrative voyage.

MAN IN THE NEWS: ***David Gergen***

Odd couple with a common cause

Clinton's new 'counsellor' blames partisanship for many of America's problems, writes **Jurek Martin**



In the current hot movie, *Dave*, a rotten, promiscuous president suffers a stroke *in flagrante delicto*. His administration is saved by his physical double, the eponymous Dave, who normally runs an employment agency and does all the nice and good things the real president eschewed, and by his accountant, Murray, who sorts out the budget deficit in a trice.

Nobody in Washington is seriously suggesting that David Gergen, five years older, two inches taller and with a thinner thatch of unstyled hair than Bill Clinton, is being charged with a similar mission, though some comedians have been unable to resist the obvious comparison. But the new "counsellor" to the president, precise duties still to be determined, would not have been brought on board if the current White House had been steaming smoothly ahead in untroubled waters.

Gergen and Clinton are not quite the odd couple they might seem. It is true that, while Clinton was protesting against the Vietnam war, Gergen was going to work for Richard Nixon. Equally, when the former was a firebrand liberal first-term Democratic governor of Arkansas, the latter was Ronald Reagan's communications director, helping to sell those conservative policies that the current president is now intent on reversing.

The suspicion is that he was so disappointed with Bush that he forsook the Republicans and voted for Clinton

But the two southern boys (Gergen grew up in North Carolina) have grown personally and politically closer over the years. They met regularly at the annual Renaissance weekend, a new year's New Age gathering on the Carolina coast of mostly like-minded politicians, lawyers, academics and journalists. As Clinton, in his later terms in Little Rock, moved towards the middle, so Gergen, never entirely at home among the Reagan ideologues, left government.

He became a senior editor and columnist at US News magazine and a commentator on the MacNeil/Lehrer public affairs programme on public television. His Friday duet with Mark Shields, the literate and witty consultant to the Democratic party, far exceeded in quality of comment the clamorous verdicts of the journalistic kangaroo courts that have come to dominate much political discussion on television.

He became, as many media stars now do, much in demand on the speaking circuit, cultivating an ever wider range of political contacts around the country. He also immersed himself in conspicuously non-conservative organisations with an international scope, like the Aspen Institute.

The net result of a lot of public talking and writing was the suspicion that his disappointment in George Bush was such last year that he forsook his long allegiance to the Republican party and in the end voted for Bill Clinton. Reflecting either this or the president-elect's promise to reach out to moderate Republicans, he was rumoured in the transition period to be under consideration for a senior administration post, possibly running foreign aid from the state department.

Up to a point, he was kind to Clinton this year, too, approving of his initial budget victories and welcoming the new dawn in intelligent government. Even his later criticisms as things began to go wrong were tinged with admiration. While he worried about the president's tendency to tax and spend too freely and even questioned a lack of backbone, he could, in the same paragraph of a US News column on May 24, still describe him as "one of the most gifted, dedicated men ever to serve in the Oval Office ... a wonderful head and a big heart".

This article, in retrospect, should be read as an overt appeal to Clinton to return to where Gergen believed the president belonged – in the reformist middle – and less than two weeks later the president was announcing his appointment from the Rose Garden. Gergen fleshed out his reasons for signing up in another interview this week. Complaining about the neglect of American education and of US competitiveness, he told National Public Radio that the root problem was partisanship run riot.

"I think he [Clinton] is someone who is trying to come up with innovative ideas that get beyond the boxes of the 1980s, ... to define solutions that will draw support and inspiration from both camps. We reek of privilege and power in this city – we've got lots of it – but we refuse to get together and see if we can help define common ground and find some answers. I think people around the country are disgusted with that and I think they have a right to be disgusted with that."

As best as can be defined, Gergen joins the Clinton inner circle that comprises the president, his wife, Mack McLarty, the maligned chief of staff, and Al Gore, the vice-president. He sees his duties as combining political and policy advice together with the public presentation of whatever decisions emerge. George Stephanopolous, doubtless relieved no longer to have to fight the media daily, may be a floating member of the group. ("Only in Washington," Paul Begala, a Clinton adviser, observed sarcastically, "is it considered a demotion to spend more time with the president than with the White House press corps.")

It may be no accident that Gergen's recruitment coincided with a significant shift back to the centre by the president himself. There were hints of compromises on the budget, especially the energy tax, on deferring an increase in the minimum wage, on the admission of homosexuals into the military, trade with China, and, most painfully for Mr Clinton, the withdrawal of the nomination to the justice department of an old friend, Lani Guinier, because, as he conceded on Thursday night, "I cannot fight a battle that I know is divisive ... if I do not believe in the ground of the battle".

If this was a retreat from the left, it was conducted with several guns blazing. In a Milwaukee speech, the president stuck to the argument that his approach to the budget was right and that the complexities and basic fairness of his programme were misunderstood or not grasped at all, thanks to a combination of muddled White House messages and a wilfully perfidious media.

Yet behind the smoke there were the sort of overtures to the Washington establishment, of which more can be expected under Gergen. Two White House dinners this week, for example, included invitations to representatives of the heavy writing press, previously almost ignored. Though the media may have changed, some things do not. The Reagan administration's mastery of television was made possible by some discreet courting of those newspapers from which television still lifts many of its reporting leads and opinions. James Baker, whom Gergen acknowledges as a mentor, spent 12 successful years in Washington employing the same technique.

But Gergen's accession, while generally reckoned to be a smart move by the president, did not pass without reservations. The more cynical, who have been writing off the Clinton presidency for weeks with increasing vigour, doubted whether Gergen could work a sea change on either Clinton himself or, as an ageing nominal Republican, on a young, partisan Democratic White House staff.

Veterans recalled that the last luminary of the opposition party to be brought in to work miracles was Daniel Patrick Moynihan, now the senior Democratic senator from New York, mysteriously hauled in to advise Richard Nixon in 1969 to minimal ultimate effect. "There is no magic in personnel changes," intoned Johnny Apple of the New York Times.

His newspaper was more disturbed by another aspect of what it called "Gergenism" – packaging over content – and worried that the new governing ideology is now no longer represented by two political parties with distinct philosophies but by a phenomenon known as inside-ism. In a similar vein, David Shribman in the Boston Globe wrote of "a political class – a culture all of its own – inscrutable to outsiders ... and populated with interchangeable political operatives".

It may be no accident that Gergen's recruitment coincided with a shift back to the centre by Clinton himself

If *Dave* suggested that even presidents were interchangeable so long as they looked alike, another older movie, *The Bermuda Triangle*, was perhaps more apposite to David Gergen's week. He flew to the island for a short break but, far from disappearing without trace, found himself boating with none other than Ross Perot, who "expressed pleasure in my new job". He could, of course, have pushed the pesky Texan populist overboard, but just getting him off Clinton's back would be no mean initial service.

Glory days gone for now

Edward Balls says England's football decline mirrors its economy

"Gutted", "gobsmacked", "sick as a parrot" – no footballing cliché can adequately characterise the depth of national despair that engulfed England after Wednesday's World Cup defeat at the hands of Norway.

England – where the game of football was invented – was beaten 2-0 in Oslo and probably ejected from the 1994 World Cup final round, to be held in America next year.

And at the hands of Norway, too. Norway, more famous for its fish than its football, with a population a 10th that of England's. A country that worshipped English soccer (as BBC commentator John Motson reminded his unfortunate audience) had trounced England's national team.

But the defeat has been interpreted as more than just a freak – a single poor performance by a disorganised team. Instead, it is seen as further evidence that the decline of English football has become terminal. "Fatal flaws of woeful England exposed", thundered The Times; "Norse manure", The Sun added.

Yet was anyone really surprised? Britain still has a seat on the UN Security Council; it has nuclear weapons; it even won the World Cup (at home) in 1966. But surely the decline of English football has gone hand in hand with England's relative economic decline.

Starting with the 6-3 home defeat at the hands of Hungary in 1953, the first-ever defeat at Wembley, England's footballing star has been waning, along with its economic clout. Since 1953 England has slipped from second to fifth in the world in terms of output; it has fallen considerably further down the league table of income per head. More populous nations, such as Brazil and Argentina, have risen to prominence on the world footballing stage.

The FT's analysis of England's World Cup record since 1953 suggests that the English soccer team has continued to do better than might be expected from the country's size and economic power. The analysis awards points for performance in the final rounds of the World Cup (failure to qualify scores no points). It divides the 10 World Cup competitions from 1953 into two groups, the split coming between the 1970 and 1974 contests. The year 1973 was a watershed for England. In addition to the Opec oil shock and the Barber boom, it saw the English soccer team draw 1-1 with Poland at Wembley in October. The side was eliminated from the competition during the qualifying stages (see charts).

From 1954 to 1970, English soccer continued to fare comparatively well, despite the country being overtaken in economic size by France, Germany and Japan, and suffering the shock of sterling's 1967 devaluation. The English team ranked third, well behind Germany and Brazil.

From 1970 on, it was downhill all the way. Inflation soared during the 1970s, labour relations deteriorated, and the England team failed to qualify for either World Cup tournament. Despite qualifying in 1982, 1986 and 1990, England has been overtaken in the rankings by Argentina, Italy, Holland and Poland. Only England's fortuitous 1990 victory over Cameroon prevented the team from falling behind France and Belgium.

The biggest shifts in relative soccer performance since 1970 have been the slippage of Brazil and the collapse of the communist teams – only Poland has bucked the trend, coming from nowhere to sixth place in 1974-90; the rise of continental European football; and the enormous success of Argentina since the early 1970s.

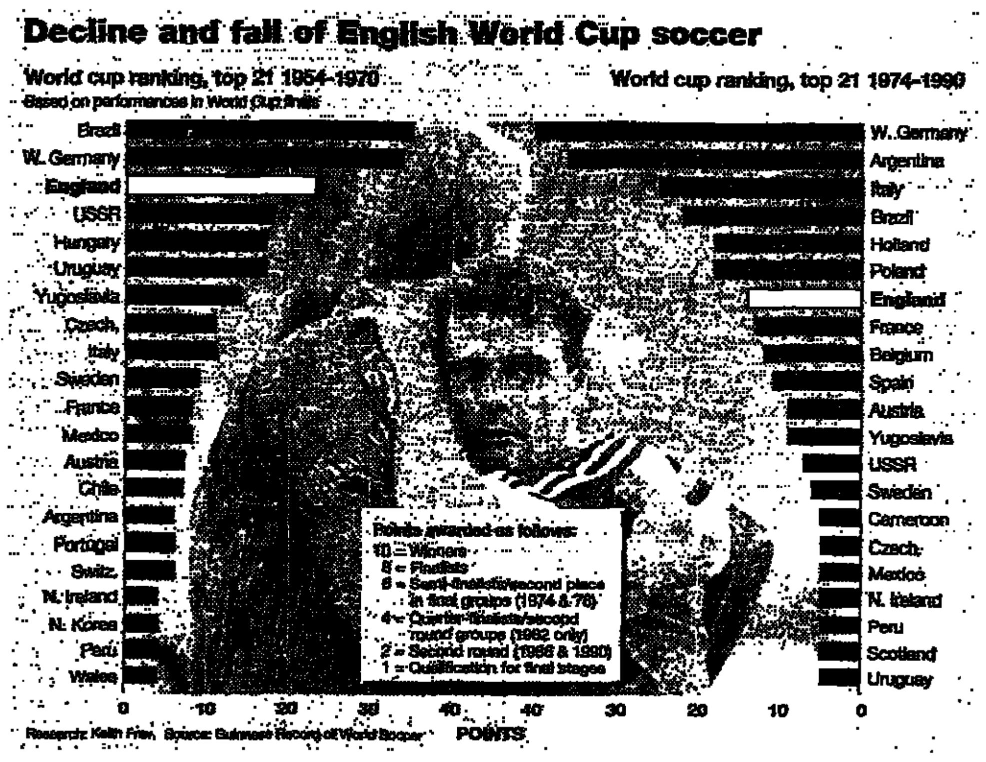
The economic background to these changes provides few clues as to England's relative footballing decline. High and fluctuating inflation since 1973 might have been a clue to the decline of both Brazil and England, though on different scales, were it not for the rise of Argentina. Nor does the decline of Soviet-style collectivism help explain why British soccer has withered alongside British socialism. If anything, the rise of Thatcherite individualism is a better explanation for England's poor performance at team games.

Despite the present gloom, it appears that England's declining World Cup performance has continued to outstrip its economic record. Over the period 1974-90, England ranked seventh in the FT World Cup league table. But among World Cup qualifying nations, England now has only the 11th-biggest population and the 14th-highest income per head. Defeat by Norway is not so surprising. Though smaller, it is now much richer than England – $6,000 a person a year richer in 1990, according to the World Bank.

So why has England taken the defeat so badly? Part of the explanation is economic. For a country grappling to get out of recession, and with a prime minister ill at ease with himself, failure to qualify for the 1994 World Cup final seems disastrous. The other reason is more simple: England's performance on Wednesday was terrible. A shocked Mr Graham Taylor, the England manager, accused his players of giving up. "It's a performance that will make people back home very angry," he said.

But Mr Taylor must take his share of the blame. It was his last-minute tactical decisions which caused the players to appear like "headless chickens" on the pitch. Refusing to select Chris Waddle, and playing Gary Pallister at left-back, made little sense.

Following Mr John Major's example, he will have to consider a reshuffle. But it may not be enough to produce a winning team.



Global link-up down the line

BT's venture with MCI is a pricey but plausible strategy, writes Andrew Adonis

Most BT shareholders, perhaps even BT's campaign character, Inspector Morose, will be nonplussed by concepts such as "global outsourcing" and "global telecoms platforms". They should start pursuing them, since BT is spending about $5bn of their funds applying the ideas to the task of making itself an international telecoms giant.

The alliance announced this week between BT and MCI, the second-largest US carrier, represents a large injection of cash by the privatised UK company into the US in return for an assured entrée to the American telecoms market.

Against BT's $5bn, which will give it a 20 per cent stake in MCI and two-thirds of a joint venture company formed by the two carriers, MCI is putting up barely $400m – of which about $120m is to buy most of BT's North American assets.

BT can afford $5bn with ease. The sum represents only four years of its uncommitted cash flow. But it remains a huge investment. To put it in perspective, it represents more than the total projected capital spending by Cable and Wireless, BT's main UK competitor through its Mercury subsidiary, on all projects – home and abroad – for the next three years.

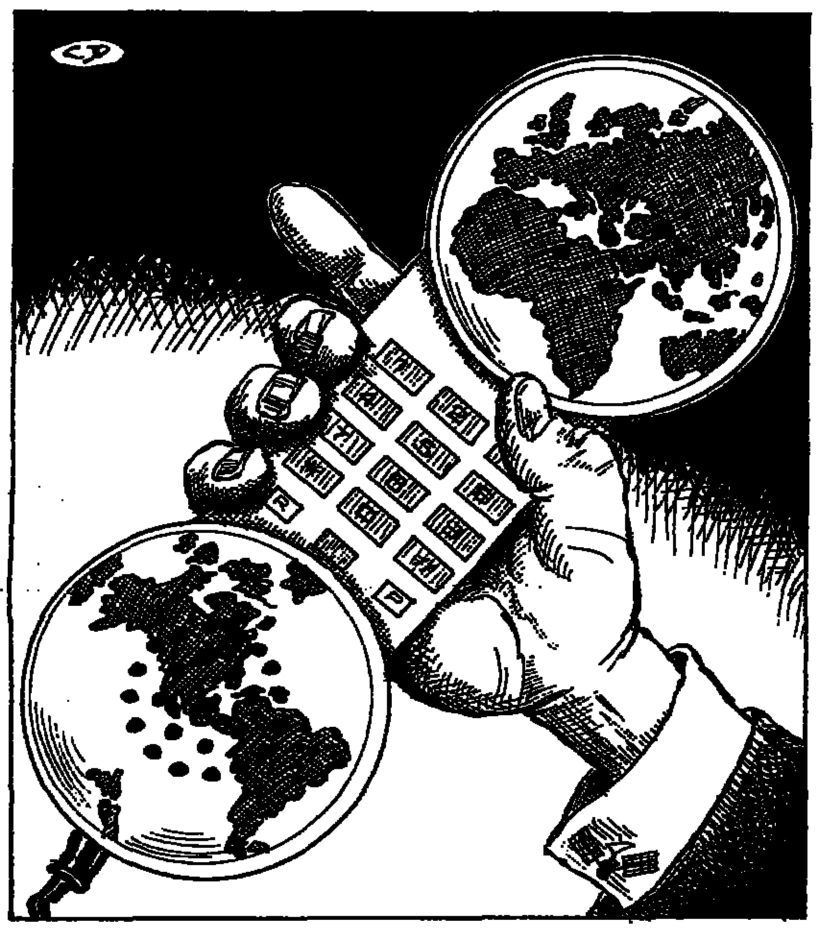
Nor did BT's investment come cheap. At $64 a share, it paid a 20 per cent premium for its stake in MCI. BT shareholders, who could have bought MCI shares in the market on their own account at about $12 less, might well ask how that premium is justified.

Mr Iain Vallance, BT's chairman – for whom the MCI deal is the culmination of a three-year campaign to break into the US – dismisses any suggestion that BT should be passing on its cash instead either to customers (in lower prices) or to shareholders (in higher dividends). On prices, he points to the tight, regulator-imposed price caps below which BT already operates; for shareholders, he emphasises the value which BT will add to MCI, and the longer-term gains that will accrue to them if BT succeeds in establishing itself as a global leader.

As for BT's undistinguished record as a North American investor over the past decade, Mr Vallance emphasises MCI's impressive track record in prising market share in the US long-distance market – currently 18 per cent of it – from American Telephone & Telegraph, America's largest telecoms operator.

BT's strategy is simple. Multinational companies want sophisticated telecoms and data services. And pursuing today's management philosophy of concentrating on core business and contracting out as much of the rest as possible, they will leap at the chance of "outsourcing" their telecoms needs if a supplier with international credibility and state-of-the-art products presents itself. Since some 40 per cent of multinationals are based in the US, BT's credibility requires a strong US presence.

Furthermore, BT will soon have to endure increased domestic competition, from cable TV companies in the local market, and from new entrants in the long-distance business, led by Energis and Ionica, new UK companies recently licensed to build national telecoms networks. As BT loses market share in the UK, it is determined to seek compensation abroad.



Enter BT in alliance with MCI, outsourcer to tomorrow's multinationals. The idea has a powerful attraction for proponents of "UK plc". Many of BT's leading customers endorse the logic of the move. Mr David Harrington, director of the Telecommunications Managers Association, hails the MCI deal as "yet another global stride for the national flag carrier, which will further strengthen its claim to offer international businesses a seamless service on a world scale".

The actions of other leading international telecoms operators further validates the notion of the "global stride". Last week, AT&T launched Worldsource, a partnership with five Asia-Pacific carriers (to be extended to Europe next year) pursuing almost the same strategy as the BT/MCI joint venture. Deutsche Telekom and Telecom France have an outsourcing joint venture of their own, called Eunetcom, while a consortium of the Swiss, Dutch and Swedish state telecoms companies (Unisource) is also courting European transnationals.

But fashion is not enough. BT has to answer three questions. Is the "global outsourcing" market going to materialise? Is significant added value to be gained from the MCI alliance? And was a $5bn investment necessary to enable BT to exploit the market and add the value?

"The benefits of the aggressive pursuit of global outsourcing have yet to be proven," says Mr Gregory Staple, a Washington consultant. There are grounds for such scepticism. Both AT&T and BT claim to be targeting "multinationals", of which AT&T estimates there are between 2,000 and 3,000. Yet virtually all multinationals already have sophisticated telecoms operations, with extensive private networks and operational expertise.

Shell, for instance, has a Netherlands-based subsidiary dedicated to managing its telecoms needs in more than 100 countries. More than anything, it is likely to be lower prices that will attract multinational custom; but BT has discounted the idea that its alliance might undercut the existing international cartel arrangements which keep prices high.

Nonetheless, at its Worldsource launch AT&T produced an impressive array of international companies, including Unisys, Honeywell and Motorola, professing their interest in outsourcing. And the market need not be restricted to multinationals. According to the United Nations division which studies them, there were 35,000 "transnational corporations" in 1990 with more than 150,000 affiliates between them. True, most of them are small and medium-sized companies, minute in comparison with Shell; equally, they possess far less telecoms expertise, and could find single-supplier packages attractive.

Lower prices and "one-stop shops" apart, it is new high-tech data transmission services that companies are likely to be seeking from the global outsourcers. To meet the demand, an obvious strategy for telecoms operators is to forge alliances with computing and managed data networks companies.

AT&T has done just that. In 1989 it bought Istel, the UK IT services company; two years ago it spent $7.4bn on NCR, the fifth largest US computing group. It looked as if BT was going down the same road in its talks with Electronic Data Systems, America's largest computing services company.

The talks with EDS appear to have broken down last month. A few weeks later the deal with MCI was announced. While the MCI alliance gives BT improved access to the US market, it does far less than a partnership with EDS would have done in terms of broadening BT's range of services and potential to exploit emerging data communications technology. Indeed, MCI is itself anxious to develop its data transmission services, which account for only a small proportion of its current sales.

Furthermore, if its aim was simply to gain access to the US market and develop joint marketing and research programmes with an innovative operator, BT did not need to expend $4.3bn on a stake in MCI on top of the $750m for the joint venture.

BT evidently expects to have a large say in the uses to which MCI devotes its new pot of gold; but with only a minority stake, it will be in no position to impose its will. Given the speed at which the alliance appears to have been negotiated, it is not clear that BT is even sure what it wants the money spent on.

That said, BT would not have approached MCI in the first place but for the US operator's remarkable success in building its business and branding new products. Mr Bert Roberts, MCI's chairman, talks eagerly of "expanded efforts in the emerging [US] fields of multimedia and local competition". If MCI can do to those what it has done to AT&T in the long-distance voice market, BT's dowry will be well spent.

Masters of fudge declare a victory

South Africa's constitutional talks veer from the sublime to the ridiculous, says Patti Waldmeir

It was an unedifying spectacle. After bargaining all day and into the night on Thursday, South Africa's constitutional negotiators reached what can only be described as a tentative provisional agreement to recommend a date for the first multi-racial elections. Then they declared victory, and went home.

Thursday's "decision" by the 26-party constitutional body, that elections should be held on April 27 next year, has no more than symbolic significance. It must first be confirmed by the same 26 delegations who failed to confirm it on Thursday; then it must be ratified by their political masters, at a meeting of the 208-member "negotiating council" on June 25. And then, most difficult of all, delegates must agree a constitution under which elections can be held. Until they do, April 27 1994 is no more than a target.

With luck, the simple existence of that target will, in the words of Mr Joe Slovo, delegate from the South African Communist party, "put a fire under" the negotiators. Now that they have set that target – however conditionally – they dare not ignore it; to do so would be political suicide.

Indeed, it was to prevent the political suicide of the African National Congress leadership that a date was set at all. ANC leaders had promised their increasingly restive constituents that a date would be set by the end of May. They could not afford to disappoint them.

Small wonder that ANC leader Nelson Mandela chose to embrace chief government negotiator Roelf Meyer after the decision. The government, which supported the date, had saved him and other moderate leaders from the wrath of the militant ANC youth, who had already threatened protests unless a date was set.

But it may prove a pyrrhic victory. To hold elections next April, delegates must agree a new constitution by September at the latest (this will be referred to as the "interim" constitution, to remain in force until the election provides a constituent assembly to write a permanent one).

They must agree the principles by which writers of a final constitution will be bound; resolve more immediate problems such as the powers of the so-called Transitional Executive Council (TEC), due to take power soon to oversee government in the transition; put in place independent commissions to oversee elections and the state broadcast media in the transition; resolve the vexed issue of joint control of the security forces and political armies; agree a bill of rights for the transition. The list goes on.

But so far, with few exceptions, delegates have taken the line of least resistance on all these issues – refer the problem to a "technical committee" and hold a press conference to claim triumph.

Thursday provided ample examples of this syndrome. Delegates congratulated themselves for "tabling" (not agreeing, which is something they could not do) proposals on combating violence. They commended each other for "receiving" proposals on devolution of power to regions, and for establishing a commission to demarcate regions. It would be splendid farce, if it were not so serious.

With luck, the existence of a target date will 'put a fire under' the negotiators

On the central issue of whether South Africa should be a unitary or a federal state – the issue which will determine whether several of the 26 parties will sign an eventual agreement – delegates staged a masterly fudge. Faced with opposition from the secessionist Conservative party to a principle declaring South Africa a "single sovereign state", delegate Rowan Cronje, from the black homeland of Bophuthatswana, declared that this did not exclude the Conservatives' demand for a separate Afrikaner homeland.

His reasoning was that "South Africa" would still be a single sovereign state even if there was another single sovereign state of "Afrikanerland" in its midst. So the problem was not resolved but avoided – and Mr Cronje was proposed (privately) for the title "man of the negotiations" by a government official.

Delegates moved on to debate extensively whether the constitution should forbid Moslem men from mistreating their wives (Catholics will apparently be free to do so), as well as other gender issues. But at least the conference avoided the embarrassment of one recent session, when debate had to be interrupted because two delegations had no female representation (each is meant to be a man-woman team). Once women were found to complement delegation leaders from the Transkei and Solidarity party, proceedings resumed. (The government delegation fielded a secretary to fill its female seat.)

Though the ridiculous vies daily with the sublime at the talks – and often wins – concrete progress is gradually being made. Earlier this week, delegates moved toward agreeing the process by which South Africa should reach democracy – in two phases, with an interim constitution written by the present body and a final one by an elected constituent assembly (though the KwaZulu government, speaking for Chief Mangosuthu Buthelezi, gave notice on Thursday that it was having second thoughts about this agreement).

And delegates are finally on the point of debating the detailed distribution of power between central, regional and local governments under the interim constitution (as well as a devolution principle to guide a final constitution).

But as one government minister commented privately this week: "When you take away all the fancy documents, we are at the same point as last year at this time." There are more parties participating in the talks; but their continued presence is guaranteed only by avoiding the hard issues. South Africa's constitution obviously needs broad multi-party support to gain legitimacy, but not if the quest for legitimacy compromises agreement itself.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Reneging on radicalism

From Mr Tony Hockley.

Sir, The Liberal Democrats' policy paper on housing ("Lib Dems suggest early end to mortgage tax relief", June 1) shows how much the party is distancing itself from its radical foundations. Opposition parties are now pursuing strategies for electoral popularity above all else; fudging answers to the most fundamental questions of reform. By the time of the next general election the UK may be faced with a choice in which the incumbent government presents the only radical agenda.

The opposition parties' failure to tackle the issue of the mortgage interest subsidy that seriously distorts the UK housing market demonstrates their political timidity. It is a tribute to Mr Lamont that in 1991 he restricted the subsidy to the basic rate. Mr Kenneth Clarke, the new chancellor, would be wise to continue with the course of reform this autumn.

The economic recovery is likely not only to raise the cost of reform but also to make it more politically difficult. The 1991 Budget was, amid the country's economic ills, highly radical, redirecting the economy towards greater fiscal efficiency and macroeconomic stability. Mr Lamont will have been sacrificed in vain if this radicalism is curtailed in the name of electoral popularity.

Tony Hockley,
44 Marsham Court,
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A poor excuse for an animal

From A R T Kemasang.

Sir, Is the "pair of elephants made from TV sets and household gadgets" (photo caption, June 2) intended to insult the genuine articles which, thanks to our superiority, have now been driven to near extinction?

Or is it part of an art genre that is meant to indict Britain's society for preferring to have poor (if clever) representations of our fellow creatures rather than the real animals?

A R T Kemasang,
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Inventives for private rented housing sector

From Ms Robina Rafferty.

Sir, A revitalised private rented sector providing good quality, secure accommodation, with an expanding social housing sector and the provision of more varied access routes to owner-occupation, could help solve Britain's housing crisis. Your review of the options that the government may pursue so as to encourage a revival of private rented sector is thus timely ("In search of the private landlord", June 1).

Private investment into private renting will not be forthcoming unless investors are assured of an adequate return. The mechanisms by which such a return could be offered to potential investors should, however, be designed so as not to divert public resources away from the core social housing programme. If private landlords were able to bid for capital grants, the likelihood would be that housing association provision of new accommodation for the homeless and other priority groups would consequentially diminish at great human and financial cost. Thus, taxation concessions rather than grants should help provide a net return sufficiently attractive to potential investors who may be interested in investing index-linked and other long-term funds in the tenure. Landlord returns should also relate to a long-term rental income stream, not short-term capital gains. A reliance on a return from capital gains presupposes lack of security for tenants. Any successor to the Business Enterprise Scheme should, therefore, reward investors looking for a long-term return rather than wishing to exit after five years.

The first combined expenditure and revenue Budget in November would be a fitting backdrop for the new chancellor to announce targeted taxation concessions designed to encourage financial institutions to invest in private rented accommodation. A process of learning and doing through pilot demonstration projects rather than abstract conjecture will aid progress.

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director,
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UK should obey EC rules only as scrupulously as its partners

From Dr L C Atkins.

Sir, Kelvin MacKenzie ("Mass trick treaty", June 1) said of the EC that "most of all we want the other members...to obey the rules as scrupulously as we do". Assuming that we *do* obey them scrupulously, this amounts to wishing that, in general, EC rules carried more weight in member countries.

It would surely be more consistent with the rest of his views to argue that *we* should obey the rules as scrupulously as *they* do. Apart from ideological neatness, this approach puts the solution to the problem in our hands rather than theirs. Whether we should use such an approach is a matter of opinion. Kelvin's readers would doubtless approve, but what do they know?

L C Atkins,
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Guided busway proposal ignores the realities

From A N Peachey.

Sir, Re Mr Bale's proposal to convert the London, Tilbury & Southend line to a guided busway after privatisation ("Buses may run on rail tracks after privatisation", June 1), he may, as a resident of Jersey, perhaps be forgiven for not being aware of the daily realities of life on this line.

Between 16:30 and 18:30, 32 trains consisting of either eight or 12 coaches are scheduled to leave Fenchurch Street. Assuming an average occupancy of 500 passengers per train, this equates to 16,000 passengers carried during this period. Even with 70 passengers per bus some 230 vehicles would be required to carry the same number of passengers. A similar number of buses would also be required in the morning rush hour.

Another problem which Mr Bale's initial enthusiasm does not appear to address is how he proposes to deal with the 2½ mile viaduct out of Fenchurch Street, much of which is not wide enough to permit conversion to a busway. Does he envisage the buses pouring off the busway on to the Blackwall Tunnel Approach Road at Bromley by Bow to fight their way from there into the City? How does he propose conveying his passengers while large sections of the line are closed for conversion?

With regard to the proposal to convert the Chiltern Line from Marylebone to Aylesbury, Mr Bale could do worse than to consult the report on this project prepared at the behest of the late Greater London Council. It recommended against the proposal owing to the astronomical cost of acquiring property required for the conversion at the London end of the line.

Finally, if Mr Bale would like advice on guided busways nearer to home than either Adelaide or Essen, he could consult the West Midlands passenger transport executive. It abandoned its experiment after less than one year's operation.

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Dunhill's slide prompts 11% share price fall

By Andrew Bolger

SHARES in Dunhill Holdings fell more than 11 per cent, from 379p to 335p, after the luxury goods group reported lower pre-tax profits and warned about trading prospects in the current year.

Pre-tax profits fell from £76m to £70.7m in the year to March 31, although sales increased by 29 per cent to £327m. Operating profits were flat at £55.5m, but interest income fell from £20.3m to £15.2m.

Lord Douro, chairman, said trading profit had been maintained in spite of a substantial downturn in consumer spending in Japan, weakening economies in Germany, Italy and Spain and only very hesitant recoveries in the US and UK.

He added: "Trading in recent months indicates that unless these leading economies improve in the near future it is unlikely that the group will be able to sustain this level of operating profit in the current year."

Alfred Dunhill's luxury accessories such as leather goods and watches had been affected by reduced demand both in Japan and from Japanese tourists elsewhere in the Far East. However, results in Europe had been encouraging.

Montblanc fountain pens had achieved an excellent result in a year in which it had taken control of distribution in several of its major markets.

Sales of the men's outfitter Hackett's had increased substantially from a small base, mainly because of the opening of a flagship shop in Sloane Street, London.

The Karl Lagerfeld fashion brand, for which Dunhill paid up to £16m in June, had a successful year. Chloé, the fashion and perfume house, had benefited from increased sales of ready-to-wear clothes as a result of Lagerfeld's re-appointment as designer.

Net cash fell from £180m to £120m following the purchase of Seeger, a German leather manufacturer, the Lagerfeld brand, and Montblanc's distribution companies in the US, Italy and Japan.

The chairman said about half the £70m of extra turnover was accounted for by acquisitions, which contributed £4m to operating profit. Some 30 per cent of sales are in Europe, including the UK, 46 per cent in Asia/Pacific and 21 per cent in the US.

Mr Graham Searle, group managing director, will retire in July. Lord Douro said the board had decided not to appoint a new chief executive, as each of the individual companies in the group was run as a separate entity, with its own managing director.

Earnings per share fell to 26.4p (28.4p). A final dividend of 5.25p raises the total from 7.7p to 8.15p.

See Lex

Exchange ruling on enhanced scrip price

By Andrew Bolger

THE STOCK exchange has taken steps to ensure that the cash alternatives for enhanced scrip dividend schemes are set fairly.

It has issued rules to ensure that underwriters of such schemes do not manipulate the price of the shares during the three-day period when the cash reference price is struck, determining the number of new shares to be issued.

Although there is no suggestion that any manipulation has occurred, the exchange was concerned to ensure that trading taking place during the reference period should accurately and fairly reflect buying and selling.

Accordingly, it said that while it is acceptable for a market-maker to adjust quotations to reflect the flow of two-way business, the market maker should not initiate a change in the price of the stock where the intention is deliberately to lower or otherwise manipulate the price.

In the event of these rules not being obeyed, the exchange reserves the right to call for an adjustment in the final reference price.

Meanwhile, shareholders in Ladbroke, the hotels, racing and property group, are to receive a higher cash alternative from Swiss Bank Corporation than they were originally offered by BZW, which designed the enhanced scrip scheme.

It has been agreed that all shareholders will receive 9.15p per share, compared with the original cash dividend of 6.22p and BZW's enhanced offer of 8.88p.

Forte, the hotels and leisure group, also announced that enhanced scrip dividend elections had been received on behalf of 90.15 per cent of its ordinary shares.

The reference price for the enhanced scrip had been calculated at 196.39p, which will result in 26.89m new shares being issued, representing an increase of 3.28 per cent in the ordinary share capital.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Beauford ...fin	nil	-	nil	nil	1.85
Carr's Milling ...int	1	July 9	1	-	3.9
Dunhill ...fin	5.25	July 22	4.95	8.15	7.7
Hawtal Whiting ...fin	nil	-	0.1	nil	0.1
Lofs ...fin	2‡	Aug 13	1.25	2‡	1.25
Property P'ships ...fin	4.7	July 26	4.5	7.25	7

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Domicile moved to Bermuda; dividend is gross in US cents, against net sterling last time.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
48	F.P.	-	58	55	Break for the Border	58		R-	-	-	7.0
25	F.P.	-	33	29	Bruntcliffe Aggregates	33		-	-	-	-
100	F.P.	-	100	93	China Inv. Tst.	93	-2	-	-	-	-
-	F.P.	-	52	32	Do Warrants	51		-	-	-	-
40	F.P.	-	102	79	Dwlson Group	92	-2	-	-	-	-
105	F.P.	-	155	138	Drew Scientific	128	-7	R-	-	-	-
150	F.P.	-	175	158	Inveresk	170	+1	L5.0	2.3	3.7	12.8
-	F.P.	-	160	160	Irish Continental	160		05.44%	8.9	1.7	7.1
130	F.P.	-	135	122	OGC	125	+1	L4.4	2.5	4.4	11.4
155	F.P.	-	233	211	¶Phonelink	233	+8	-	-	-	-
-	F.P.	-	37	31½	Pilkington Warrants	34¼		-	-	-	-
125	F.P.	-	165	153	RPC	161	-1	L3.0	2.7	2.3	20.2
600	F.P.	-	637	620	Zeneca	621	-5	RN27.5	0.8	5.5	30.9

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price £	+ or -
100	F.P.	-	100¼	100¼	Allied-Lyons Fixed 6¾pc Cv Bd 2008	100½	+⅛
100	F.P.	-	105⅞	101½	Forte 6¼pc Cv Bd 2008	105⅝	+1⅞
100	F.P.	-	102½	101	Northern Foods 6¾pc Cv Bd 2008	102⅜	-⅛
100	F.P.	-	105¼	102½	P & O 7¼pc Cv Bd 2003	100¼	+⅛

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
440	Nil	8/7	51pm	46pm	Avon Rubber	47pm	
185	Nil	14/6	68pm	53pm	BTP	57pm	
246	Nil	2/7	67pm	50pm	British Airways	52pm	-1
245	Nil	23/6	74pm	65pm	British Land	72pm	+4
420	Nil	2/7	80pm	64pm	Compass	68pm	-4
28	Nil	14/6	18pm	6pm	Conrad Ritblat SG	18pm	+4
106	Nil	8/7	21pm	18pm	Countryside Prop.	19pm	
125	Nil	6/7	12pm	10pm	Davenport Vernon	12pm	+2
8	Nil	5/7	3½pm	¼pm	Graystone	¼pm	
5	Nil	9/7	2½pm	1½pm	Harmony Leisure	2¼pm	
14	Nil	7/7	4pm	1pm	Jarvis	1¼pm	+¼
25	Nil	-	11pm	8pm	Osprey Comms.	10½pm	+½
255	Nil	7/7	38pm	25pm	Royal Insurance	34pm	+5
130	Nil	5/7	54pm	29pm	Saatchi & Saatchi	34pm	-1
135	Nil	13/7	34pm	30pm	Sheffield Insulns.	33pm	
171	Nil	30/6	13pm	10pm	Unified Drug	12pm	

b Figures based on prospectus estimates. N Figures based on MMR 'Headline Earnings' draft proposals. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. ¶ Unlisted securities market. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings June 1
- Last Dealings June 11
- Last Declarations Sept. 2
- For settlement Sept. 13

3-month call rate indications are shown on page 13.

Calls in: Avesco, Bridon, Channel Hldgs., Cluff Res., Dares Ests. 7.75pc. Prf., Fairhaven, Ferranti Intl., Greycoat, Haemocell, Regina and Villiers. Puts in: ASDA and Haemocell. Puts & Calls: Millwall and St. James's Place.

Coopers & Lybrand to undertake review of Hartstone

By David Hellier and Roland Rudd

HARTSTONE Group's bankers have appointed Coopers & Lybrand to undertake a thorough review of the group's current financial position ahead of agreeing to any refinancing arrangement.

Shares in the hosiery and leather goods company – which issued two profits warnings within a week – have fallen from a 1993 high of 277p to yesterday's closing price of 39½p.

It is believed that the banks have agreed to a standstill arrangement which will apply until the work by Coopers is completed.

The company recently said that it had breached at least one banking covenant which calls for 2.5 times interest cover.

One of the company's directors yesterday named the senior employee who has been suspended after he revealed that he had arranged for certain funds derived from a foreign exchange hedging contract to be paid to an account for his benefit.

He is Mr Michael Small, the company treasurer who came to Hartstone from Credit Suisse First Boston. An advance of £50,000 to Mr Small may also be irrecoverable.

It is understood that some of the company's directors were unaware of the loan until this week.

The lenders to Hartstone are being led by Chemical Bank of the US, which has held a number of meetings recently with the company and its advisers.

One of the group's advisers yesterday said that the banks were "broadly supportive at this stage."

He described the Coopers remit as an information gathering exercise which "is not unusual in such situations."

Hartstone's current auditors, Binder Hamlyn, said that their position remained unchanged in spite of the Coopers' appointment. "Our relationship with the company and its directors is still very good," it said.

Hartstone said earlier this week that its profits for the year ended March 1993 would be not less than £9m after £12m of exceptional costs.

Then on Thursday it added that profits could be reduced by a further £260,000 after arrangements came to light over payments due to a subsidiary company.

In March the company's brokers, Barclays de Zoete Wedd, were predicting profits of £22m after exceptionals.

Insolvency accountant is on bail and faces professional ban from practising

Clive Smith associate being investigated

By Peggy Hollinger and Catherine Milton

AN ACCOUNTANT acting for Mr Clive Smith, the British oil entrepreneur who will on Monday seek to avoid bankruptcy with debts exceeding £20m, was arrested last year on suspicion of defrauding creditors in an insolvency procedure and is on police bail awaiting possible charges.

Mr Graham Wilson, a certified accountant with offices in London, has recently been disciplined by his professional association, which could ban him from insolvency and auditing work.

The Department of Trade and Industry, which monitors insolvency practitioners, is also believed to be taking an interest in his affairs.

Mr Wilson has recently arranged two creditors' meetings connected with Mr Smith. He has called a meeting, due to take place on Monday, of Mr Smith's personal creditors who will vote on proposals designed to help Mr Smith avoid bankruptcy through an individual voluntary arrangement.

Mr Smith, who has interests in a number of offshore trusts, has had connections with several natural resource companies. Pre-1990 events at two of these, Butte Mining and Richmond Oil & Gas, are being investigated by the Serious Fraud Office. Both are listed on the London Stock Exchange.

Mr Smith faces claims of more than £20m from creditors including the Inland Revenue and Société Bancaire de Paris. The largest creditor, claiming £12.3m, is Richard Pearce, a Hong Kong-registered company which lists an Irish address, which is the same as that of Mr Kelvin Myles, who has administered some of Mr Smith's offshore trusts.

Creditors will able to vote on Mr Smith's proposed voluntary arrangement in proportion to the debt they are owed.

Mr Wilson has also arranged a meeting, due to take place on June 15, for the creditors of Alpine (Double Glazing), which ceased trading earlier this week.

It has since emerged that the DTI was asked in February to investigate Alpine's activities. Employees have also expressed concerns about the fate of pension contributions deducted from their pay.

Alpine has had a relationship with Mr Smith since he personally guaranteed the £900,000 purchase of Alpine from the company in February 1992. One administrators in Mr James Berry, was a Alpine director, Mr James Berry, was a director at Corporate Broking Services, a London stockbroker which went into liquidation in 1991. Mr Smith held a substantial stake in CBS, which had sponsored Richmond's flotation.

Police in Kingston upon Thames, Surrey, arrested Mr Wilson and two other men last August on suspicion of misrepresenting the financial circumstances surrounding a former client's petition for an individual voluntary arrangement. Inquiries are continuing, according to police.

The Chartered Association of Certified Accountants last week rejected Mr Wilson's appeal against charges of misconduct, including professional incompetence, in a separate case. Its disciplinary committee upheld an order that he be "severely reprimanded" and fined £1,000. He must also pay costs of £600 and appeal costs of £500.

The disciplinary committee has also ordered the association to investigate "all aspects of Mr Wilson's practice".

He faces the rare penalty of exclusion from auditing and insolvency work if the resulting reports are not "satisfactory".

The ruling followed a complaint by a former client called Euroborus, which traded as Inside Art. The association found Mr Wilson had "failed to deal expeditiously" with that company's affairs.

It said he "failed to honour a cheque" and "performed his professional work inefficiently and/or incompetently to such an extent or on such a number of occasions as to bring discredit to himself, to the association or to the accountancy profession".

Mr Wilson has also supplied insolvency services to some companies which were liquidated owing substantial sums to London and Provincial Factors, the debt-trading company which shook the factoring industry with its own collapse into receivership in February owing creditors almost £7m.

Burford rights to fund purchase

By Vanessa Houlder, Property Correspondent

BURFORD Holdings yesterday joined the ranks of property companies raising money from their shareholders when it announced a £41.9m rights issue to help pay for a £68.2m property acquisition.

Burford is buying a portfolio of 11 properties from Provident Mutual, which includes office buildings in Glasgow, Birmingham, Leeds, Leicester, Exeter and Mayfair and some industrial and retail warehousing property.

Some 69.6m shares will be issued on a 3-for-5 basis at 62p a share. Burford's share price yesterday rose from 74p to 75½p. The issue has been underwritten by BZW.

The remaining funds needed for the acquisition will be financed by a new £44m banking facility from Société Générale.

Burford, which is regarded by the City as one of the best managed small companies in the sector, yesterday described this latest deal as a "quantum leap". It will make it the 15th largest company in the sector with a market capitalisation of about £140m.

Mr Nick Leslau, chief executive, said the property market was now off the bottom. "The price of good quality property has gone up quite dramatically," he said.

The portfolio's initial yield is 9 per cent and its net annual rental income is £6.1m. Burford said it was confident that rental increases would result in the yield rising to more than 10 per cent within five years. The average rent on the offices is less than £11 per sq ft outside London and less than £29 per sq ft in Mayfair.

Burford said that the properties were generally of a higher quality than its existing properties. They would help the group achieve its aim of having a balanced portfolio comprising quality properties as well as properties that required more intensive management.

Mr Nigel Wray, chairman, said that their strong rental income would enhance the company's earnings. He believed that there would be many opportunities to enhance the value of the portfolio in the future.

The company said its current year performance had been in line with expectations. "There has been a perceptible hardening in yields although opportunities to purchase high quality assets on satisfactory terms still remain difficult to identify," it said.

Budgie the Helicopter lands contract with ITV

By Raymond Snoddy

THE DUCHESS of York may no longer be a wholly paid up member of the Royal family but she is still reaping the rewards of her literary endeavours.

Sleepy Kids, the children's programme maker, and HTV have just been commissioned by the ITV Network Centre to make an animated series out of her creation – the four Budgie The Helicopter books.

The deal will be a boost for the loss-making Sleepy Kids which last month announced a £1.2m rights issue mainly to fund the group's participation in the production of the series.

The ITV deal for thirteen 11-minute episodes should also provide some extra uplift for HTV's share price which has risen from a low of 19p to 50p.

The ITV company for Wales and the West is planning to specialise in making children's programmes for the national ITV network. At the moment HTV is broadcasting The Pig Attraction – a series that marks the return to the national screen after a long absence of Pinky and Perky.

Budgie is described as a resourceful little character who constantly gets himself into tricky situations because he wants to help but doesn't really think about the consequences of his actions. A bit like the Duchess of York.

Her financial adviser, Mr John Bryan, was involved in the negotiations with Sleepy Kids on the original rights deal.

Transfer Technology in £7.1m expansion

By Paul Cheeseright, Midlands Correspondent

TRANSFER Technology, the West Midlands specialist engineering group, is expanding its automotive components business with the takeover for £7.1m of Fenworth, a private group owned by Mr Peter Munday, Mr Clive Francis and their respective family trusts.

Fenworth, comprising two companies – one manufacturing engine and body parts, largely for Ford and Rover, and the other marketing and selling the parts – is based near Stroud, Gloucestershire. In the year to March 1992 it made pre-tax profits of £1.9m and had net assets of £2.76m.

TransTec is paying £5.1m in cash and making up the balance with the issue of new ordinary shares. Mr Neil Logue, finance director, said the payment would raise TransTec's gearing to 35 per cent, but it would fall to 15 per cent by the end of the year.

The acquisition of Fenworth extends the range of the group's automotive component products. Hitherto, TransTec had supplied parts only for vehicle power trains.

A further acquisition may be in the offing for TransTec's control and manufacturing technology division. Mr Logue said the group was having talks with Cincinnati Milacron, US machine tool group.

£200m Devro heads for market

By James Buxton, Scottish Correspondent

DEVRO, the Scotland-based producer of sausage skins, is to raise about £80m in new money through an offer for sale later this month, which is expected to value the company at more than £200m.

The company was the subject of a £108m management buy-out from the US multinational Johnson and Johnson in 1991. It claims to be the world's leading producer of products made from collagen, a natural protein used for making edible sausage casings and film.

According to the pathfinder prospectus, issued yesterday by Charterhouse, Devro has more than half the world market for small diameter collagen sausage casings, three times that of its nearest competitor.

Mr Frank De Angeli, chief executive, acknowledged yesterday that the flotation had been "somewhat marred" by last week's announcement that Devro was to pay £390,000 to Mr David Fyfe after it withdrew its offer of the post of chief executive, in succession to Mr De Angeli.

The company decided, following pre-flotation talks with potential investors, to nominate Mr Graeme Alexander, Devro's technical director.

The pathfinder says unaudited sales in the first five months of 1993 were almost 20 per cent higher than in 1992.

In 1992 Devro made operating profits of £22.1m on sales of £82.7m. It will use the flotation to cut gearing to 50 per cent and fund expansion.

Impact day, when the full prospectus is issued, will be June 17 and dealing begin on June 30.

GBE makes the market at its second attempt

Richard Gourlay on Robert Newman's latest deal

GBE International, which this week secured passage to a stock exchange listing through the reverse takeover of Downiebrae, a shell company, was within a whisker of floating four years ago.

At that time it had more than half its sales in China and was almost totally dependent on tobacco companies buying leaf processing equipment. Then GBE, a management buy-out from AMF International in 1986, had a rude shock.

Within a matter of months the Tiananmen Square massacre decimated its Chinese market. At the same time RJR Nabisco, under Kohlberg Kravis Roberts, slashed capital spending and BAT, under attack from Sir James Goldsmith's Hoylake, also tightened its grip on the purse strings.

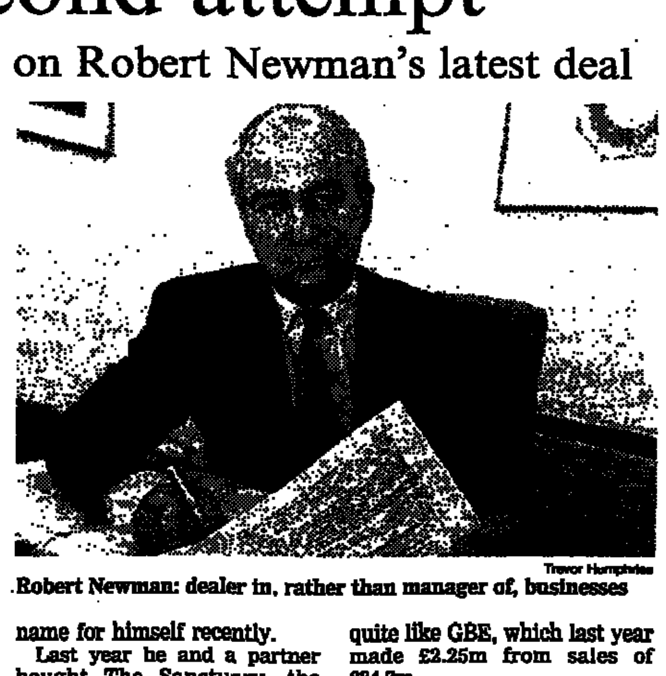
The issue was pulled.

Venture capitalists who had been pressing for an exit through a trade sale, were therefore delighted this week with the arrival of Downiebrae and its largest shareholder, Mr Robert Newman.

The deal involves the sale of GBE to Downiebrae for £22m, satisfied by the issue to the vendors of 36.7m shares of which 24.9m are being placed and a further 7.78m offered to existing Downiebrae shareholders in a 4-for-9 rights issue.

The new company will have a stock market valuation of not less than £31m when its shares resume trading after the June 28 annual meeting.

Mr Newman, an acquisitions specialist and former colleague of Sir Edward du Cann at Keyser Ullman, the failed merchant bank, has been making a name for himself recently.



Trevor Humphries

Robert Newman: dealer in, rather than manager of, businesses

Last year he and a partner bought The Sanctuary, the women's health club in London's Covent Garden. And he has recently become managing director and part owner of Thomas Goode, the prestigious glassware and antiques shop in South Audley Street, London.

Of GBE, he says that unlike some professional investors in shell companies he has no intention of taking an active management role. A self-proclaimed dealer in, rather than manager of, businesses, Mr Newman will act as a consultant and hopes to bring further acquisitions to GBE.

It is not Mr Newman's first involvement in Downiebrae. Just before the 1987 stock market crash he was part of a consortium that injected £2.5m to take a 48 per cent stake and seek similar deals.

The stake was sold after the crash but it is unlikely he could have found a company quite like GBE, which last year made £3.25m from sales of £34.7m.

In addition to selling tobacco processing equipment from its base in Andover, Hampshire, GBE has a foothold in the potentially lucrative market for environmental control equipment. Under licence from Wheelabrator, now part of Waste Management Inc of the US, GBE sells two processes which treat acid gases emitted from the incineration of liquid sewage.

Severn Trent, the water company, is installing the equipment and Mr Gerald Edwards, GBE chairman before and after this takeover, says the company has quoted for 12 contracts worth £50m.

EC regulations restricting the dumping of sewage at sea should mean 12m tonnes needs to be disposed of, Mr Edwards says. Incineration is a way of reducing the amount of landfill required for this disposal.

LBC frequencies under threat

By Raymond Snoddy

LBC, the London commercial radio station, is facing a powerful challenge for both its frequencies from a heavyweight consortium which includes Independent Television News and Reuters, the news and information group.

The other consortium members are Associated Newspapers, publishers of the Evening Standard, SelecTV, the independent television producer, and GWR, the west of England commercial radio group which is also a significant investor in Classic FM.

The group is applying for three franchises to offer three separate London-wide services dedicated to news, entertainment and business.

The consortium is chaired by Mr Bert Hardy, managing director of Associated Newspapers, and the appropriate consortium members would take the lead in running specific services.

For example, SelecTV, which produces hits such as Birds of a Feather, would team up with GWR to provide the entertainment service.

In addition to applying for both LBC frequencies to run news and entertainment the group also wants one of the two new AM franchises on offer to launch a dedicated business news channel drawing on the strengths of Reuters and the Evening Standard.

In awarding the new frequencies the Radio Authority has made it clear it will favour applicants who propose to extend the choice available to listeners.

LBC will go into the battle to hold onto its two London frequencies without a long-term managing director in place. Mr Charlie Cox, the current managing director, has resigned although he will not leave the company for at least two months.

Mr Cox decided to quit now because he did not want to sign a new long term contract at LBC partly, at least, because he believes the style of the new owners will be different.

Dame Shirley Porter, the LBC chairman, whose son Mr John Porter now controls the radio with his partner, Mr Matthew Cartisser, is expected to announce high profile new board members next Tuesday. Mr Christoper Chataway, the former LBC chairman, will be standing down as a director.

Tuesday is the deadline for submitting applications to the Radio Authority for six existing London licences and the two new ones.

Guinness Mahon, the merchant bank, has also put together a consortium to apply for one of the LBC frequencies.

Mr Bruce Fireman, of Guinness Mahon, refused to say yesterday who the other backers were, but he confirmed that the group wants to run a news service.

CLT, the Luxembourg-based international broadcaster, confirmed yesterday that it had teamed up with Trans World Communicatsions to bid for a London licence.

The applicants will want to offer a mixture of adult contemporary music.

NEWS DIGEST

Chrysalis £104,000 midterm

TAKING in interest receivable, the Chrysalis Group made a pre-tax profit of £104,000 in the six months ended February 28 1992.

The depressed market for amusement machines continued to seriously undermine the trading of MAM Leisure, and results for the full year were likely to be dominated by that subsidiary.

The directors said there would be continuing operating losses and very substantial one-off costs associated with the restructuring of that company, in particular from the write-down expected to stem from the review of the depreciation policy.

Elsewhere in the group there were "many encouraging signs" with improved profit contributions from the music and television divisions.

For the 1991-92 comparative half year the group has complied with FRS 3. The accounts show a pre-tax profit of £10.6m, which included an £11.6m profit on the sale of shares in the Chrysalis record companies.

Turnover in 1992-93 was £39.2m (£38m) and operating losses £853,000 (£913,000). Earnings per share were 0.2p (38.9p).

Creston suspended pending acquisition

Creston, the construction components group, is acquiring Coordinated Land and Estates, the property consultancy, for 31.35m Creston shares, being 61.51 per cent. At the mid-market price of 15p on June 1, the consideration is £4.7m.

For qualifying shareholders to participate in future growth, the directors propose to issue warrants to subscribe for shares, on the basis of one warrant for every two shares held. The warrants are exercisable within 28 days after the annual meeting in each year from 1993 to 1997 at 15p. And if all the warrants are exercised the vendors would have 51.59 per cent of Creston.

The company also plans to dispose of its 5m ordinary shares in Ex-Lands to London Finance & Investment Group for £1m cash.

Creston shares have been suspended at 18½p pending an extraordinary meeting. Dealings in the new shares and warrants are expected to begin on June 29.

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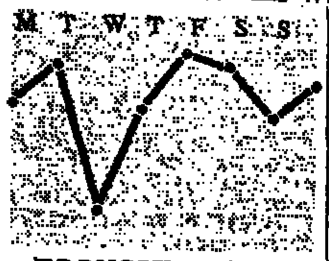

ECONOMIC DIARY

TODAY: Russian constitutional Assembly meets in Moscow.

TOMORROW: Spanish general elections. Organisation of American States conference in Managua (until June 12). Arab foreign ministers involved in Middle East peace talks hold two-day co-ordination meeting in Amman. International monetary conference at Stockholm (ends June 9).

MONDAY: Credit business (April). Cyclical indicators for the UK economy (April-second estimate). US consumer credit (April). European Community finance ministers meet in Luxembourg. Start of two-day reading debate on the Maastricht Bill in the House of Lords. Financial Times holds two-day conference "North Sea oil & gas" at the Hotel Inter-Continental in London. BAA, EMAP and PowerGen finals.

TUESDAY: Bank of England to auction Ecu1bn three and six month T-bills. US wholesale trade (April). European Community foreign ministers meet Mr Warren Christopher, US secretary of state, in Luxembourg. Royal Bank of New Zealand six month policy statement. Financial Times holds two-day conference "Aerospace and commercial aviation in a rapidly changing world" at the Hilton Hotel in Paris.

WEDNESDAY: Housing starts and completions (April). Special meeting of Gatt in Geneva. Mr Helmut Kohl, German chancellor, meets Mr Warren Christopher, US secretary of state, in Luxembourg. Johnson Matthey and Racal finals. Japan: Royal wedding – all Japanese markets closed.

THURSDAY: Details of employment, unemployment, earnings, prices and other indicators. Regional trends 28 - 1993. US jobless claims. US 1992 capital spending. Nato foreign ministers meeting in Athens (until June 11).

FRIDAY: Usable steel production (May). Construction output (first quarter). Capital issues and redemptions (May). Welsh Conservative conference (end Saturday). US retail sales (May) and producer price index (May). Fortieth Paris Air Show opens (until June 20).

LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied-Lyons	500	35	50	58	8½	18	25
(*520)	550	11	24	33	37	42	50
Argyll	330	18½	29	32	13	20	25
(*340)	360	6	16	21½	33	38	43
ASDA	67	6	8½	-	4	7½	-
(*68)	76	2½	4½	-	9	13	-
Brit Airways	287	21	29	37	9	15	20½
(*296)	316	6½	16	23	25½	31	36
SmKl Bchm A	420	46½	58½	68½	7½	17	24½
(*453)	460	21	35½	47½	20	34	43½
Boots	420	30	44½	49	8½	15	23½
(*435)	460	9	24	30½	30	37	44
BP	300	19	26½	32½	8½	16	20½
(*307)	330	8	14	19½	25½	32½	38½
British Steel	100	8	12	16	6½	9½	11½
(*101)	110	4	8	12	13	15½	18
Bass	420	42	53	58	5½	9	19
(*445)	460	16	28	36	22	27	38
Cable & Wire	700	46½	64	77	15½	27	35
(*733)	750	17	37½	51½	42½	54	62
Courtaulds	500	38	51	58½	8	18½	28
(*535)	550	12	28	37½	38	44½	51½
Comm Union	550	30½	43	-	16½	32½	-
(*568)	600	9½	21	-	48	62½	-
GKN	480	24½	31½	-	12	24½	-
(*487)	500	7½	14½	-	38½	51	-
ICI	650	34	47½	60	19½	36½	46
(*690)	700	7	30	30	65½	79	88½
Kingfisher	550	28	41	-	18	31	-
(*586)	600	9½	22	-	46	58	-
Land Securs	550	39	52	60	6½	13	17
(*578)	600	11	20	31	30	36	41
Marks & S	330	18	28	34	8½	12½	18
(*336)	360	5	14	20	28	30	34
NatWest	460	26	36½	48	16	28½	34
(*466)	500	9	19½	30½	41	53	58
Sainsbury	460	38	51	59	7½	16	22
(*495)	500	14	29	38	26	35	41
Shell Trans.	600	22½	33	43	14½	27½	32½
(*603)	650	5	12½	23	48	58	61½
Storehouse	200	14	21	26	9	15	19
(*203)	220	6	13	17	22	27	32
Trafalgar	110	7	14	15	7	11½	14
(*110)	120	4	8½	11	14	17½	20½
Unilever	1000	43½	70	85	18	30	39
(*1016)	1050	18	42½	59	47	59½	66½
Zeneca	600	43	57	73	15½	36	46
(*620)	650	17½	33½	50	43	65	73
Option		Jul	Oct	Feb	Jul	Oct	Feb
Grand Met	390	24	33	42½	13	20½	30
(*400)	420	9	19½	30	31	37	47
Ladbroke	180	15½	23	27½	8½	17½	22½
(*188)	200	6½	14	19	21	30	34
Utd Biscuits	360	38	47½	54½	10½	15½	24½
(*382)	390	22	32	38	24	30½	39
Option		Jul	Oct	Dec	Jul	Oct	Dec
Fisons	140	26½	32½	34½	4	8½	11½
(*159)	160	13½	20	24	11½	18½	22

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Brit Aero	350	38	53½	63	24½	36	46
(*370)	390	25	39	49	41½	54½	62
BAT Inds	425	24	32½	43	16	28½	32
(*428)	450	12½	22½	30½	31	45	48
BTR	600	24	36	47	17½	29½	34
(*601)	650	5½	16½	26	51	59½	62½
Brit Telecom	390	29	34½	38	8	17	21
(*407)	420	13½	18	24	21½	33	39½
Cadbury Sch	420	38	47	58½	7½	16	20½
(*445)	460	15	27½	36½	26	35	39
Eastern Elec	460	105	96	102	1	3	5
(*461)	500	4½	12½	18½	55	58	62
Guinness	460	31	43	56	13½	28	31½
(*488)	500	12½	26	36½	38	49	53½
GEC	300	27½	31½	35½	6½	10	13
(*321)	330	8	16	20½	22	25½	28½
Hanson	220	17	22	26	4½	9	12½
(*230)	240	6½	12	16	14½	19½	23
Lasmo	140	24½	30	36	4½	10	13½
(*157)	160	13	20	26	13½	19½	23
Lucas Inds	130	14	18½	21½	8	16	18
(*133)	140	9	13½	17	14	20	23½
P & O	600	37	54	66	18	37	42
(*615)	650	18	31	44	48	65	71½
Pilkington	130	10	16	19	8	12½	17
(*134)	140	5½	11½	15	15	18	23
Prudential	300	25½	32	37½	5½	12½	15
(*315)	330	9	16½	23	21	28	31
RTZ	650	24½	44	58	33	44	52½
(*653)	700	8	23½	37½	66½	76½	83½
Redland	460	41½	55	62½	11½	27	32
(*483)	500	18	34½	43	31	47½	52½
Royal Insce	288	17½	27	34½	13½	20½	24
(*289)	317	6	15	22	33	38	41½
Scot & New	420	32½	37½	-	12½	18	-
(*439)	460	10½	18	-	37	43	-
Tesco	200	25	31	36	4	10	12
(*217)	220	12	19	25	12	18	21
Vodafone	420	46	61	68	7½	17	21
(*456)	460	21½	37	46½	24	33½	38
Williams	300	19½	27½	34	10½	18½	22½
(*306)	330	7	14	21	29	37½	40½
Option		Aug	Nov	Jan	Aug	Nov	Jan
BAA	750	32	53	58	29½	33	39
(*764)	800	11½	29½	35½	56	62	67½
Thames Wtr	460	29½	40½	43½	9½	18	21
(*492)	500	9	19	23	31	39	42½
Option		Jun	Sep	Dec	Jun	Sep	Dec
Abbey Natl	390	18½	31	42	3	14½	20½
(*404)	420	3	16	27	19	31	36
Amstrad	30	5	7	9	1	2½	3½
(*34)	35	1½	4½	6½	2½	5	6
Barclays	420	39½	51	61½	1½	11	16½
(*456)	460	6½	26	38	11½	27½	34
Blue Circle	240	12	24	30	3	13	19
(*248)	260	3	14	20	14	23	31
British Gas	280	11½	21½	26	2½	8	15½
(*288)	300	2	11	16	13	18½	26
Dixons	200	15	24	31	2½	14	19
(*210)	220	3	14	22	14	25	30

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Eurotunnel	420	12	38½	66	13	36½	49
(*421)	460	2½	23	29	47½	63½	73½
Glaxo	550	46½	71½	80½	3	22	36½
(*590)	600	12	43½	55½	20½	43	64½
Hillsdown	140	10½	18	23	3	8	13
(*147)	160	1½	8½	13½	14½	19½	24½
Lonrho	110	9½	15½	20½	1½	8½	12½
(*116)	120	3½	11	16	9½	14½	18
HSBC 75p shs	600	30	57	74	5	26	41
(*621)	650	5½	33	50	36	55	65
Natl Power	330	16	28	37½	2½	11	15½
(*344)	360	2	14	22½	20	26½	30½
Reuters	1350	35	92½	136	14½	60	82½
(*1366)	1400	11	65½	110	42½	86½	108
Rolls-Royce	140	5	13	18	5	10½	16½
(*140)	160	1	6	10½	20½	24	29
Scot Power	310	7	15	20½	4½	18	19
(*312)	330	1	6	12	9	23½	31½
Sears	90	9½	12½	15	1	3	6
(*98)	100	2	7	8½	3	7½	10
Forte	200	10	22	28	2½	11	16
(*207)	220	2	12	18	15	22	27
Tarmac	130	7	15	19	3	8½	14
(*134)	140	2½	10½	14	8½	14½	19½
Thorn EMI	850	26	47½	61	7	36½	46
(*866)	900	4	23	38	37	71	76
TSB	180	6	14½	19½	4	12	15½
(*184)	200	1	6	11½	18	24	28
Tomkins	220	10½	18	24½	2½	11½	15
(*226)	240	2	8½	17	15	23	20½
Vaal Reefs	60	9	14	17	2	7	11
(*67)	70	4	8	13	7½	13	16
Wellcome	750	26	61½	86½	14½	42½	65½
(*780)	800	6½	39	61½	48	68½	94

EURO FT-SE INDEX (*2831)	2725	2775	2825	2875	2925	2975	3025	3075
CALLS								
Jun	110	67	32	11	2½	1	½	½
Jul	128	88	57	33	17	8	4	2
Aug	148	-	81	-	39	-	14	-
Sep	162	-	98	-	53	-	26	-
Dec †	210	-	148	-	98	-	62	-
Mar †	245	-	188	-	138	-	95	-
PUTS								
Jun	5	13	28	56	96	146	196	246
Jul	16	27	46	70	104	145	190	237
Aug	28	-	63	-	118	-	183	-
Sep	38	-	73	-	126	-	197	-
Dec †	63	-	102	-	150	-	210	-
Mar †	-	-	-	-	-	-	-	-

FT-SE INDEX (*2831)	2750	2800	2850	2900	2950	3000	3050	3100
CALLS								
Jun	88	47	17	4½	1½	1	½	½
Jul	109	72	44	28	12	6	2½	1½
Aug	129	95	68	44	28	17	10	6
Sep	146	113	88	63	43	30	19	12
Dec †	-	180	-	110	-	70	-	39
PUTS								
Jun	6	16	40	81	131	181	231	281
Jul	20	35	60	92	133	182	232	282
Aug	38	53	76	106	142	184	232	282
Sep	47	65	90	118	151	190	234	283
Dec †	-	98	-	148	-	211	-	290

June 4 Total Contracts 28,708
Calls 17,869 Puts 10,839
FT-SE Index Calls 4,375 Puts 4,352
Euro FT-SE Calls 218 Puts 222
*Underlying security price. † Long dated expiry mths.
Premiums shown are based on closing offer prices.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Cadburys	36	HSBC (75p shs)	39	Ratners	3	Brit Land	7
Allied-Lyons	50	Charter Cons.	52	Hanson	20	Reed Intl	52	Land Sec.	40
Amstrad	3½	Comm Union	52	ICI	75	Sears	9	MEPC	30
Astec (BSR)	3½	Courtaulds	48	Ladbroke	15	SmKl Bchm A	40	■ OILS	
BAT Inds	75	Eurotunnel	30	Legal & Gen	36	TI	28	Arcon Intl.	6
BOC	56	FKI	12	Lex Service	19	TSB	12	Aviva Pet	5
BTR	41	FNFC	7	Lloyds Bank	45	Tesco	20	BP	21
Barclays	30	Forte	14	Lonhro	7	Thorn EMI	70	Burmah Castrol	60
Blue Circle	22	GKN	40	Lucas Inds	13	Tomkins	22	Premier Cons	3
Boots	42	Gen Accident	31	Marks Spencer	25	T & N	15	Shell	36
Bowater	40	GEC	22	NatWest Bank	30	Unilever	72	■ MINES	
Brit Aerospace	24	Glaxo	55	P & O Dfd	40	Vickers	9	RTZ	52
British Steel	6	Grand Met	40	Racal Elect	12	Wellcome	75		
Brit Telecom	28	GRE	15	Rank Org	53	■ PROPERTY			

FT FIXED INTEREST INDICES

	June 4	June 3	June 2	June 1	May 28	Year ago	*High	*Low
Govt Secs (UK)	95.18	95.11	95.04	94.84	94.58	88.86	98.04	93.28
Fixed Interest	111.71	111.55	111.32	111.13	111.49	105.07	113.83	108.67

* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 113.83 (8/3/93), low 50.53 (3/1/75)
Basis 100 Government Securities 15/10/26. Fixed Interest 1928.

GILT EDGED ACTIVITY

	Gilt edged bargains*	5-Day Average
Jun 3	90.9	98.0
Jun 2	93.1	99.1
Jun 1	97.0	99.6
May 28	97.9	97.6
May 27	101.2	95.1

* SE activity indices rebased 1974

COMMODITIES

WEEK IN THE MARKETS

Copper surge gets bears on the run

THE LONDON Metal Exchange copper market this week staged its first substantial rally since it went into free-fall in mid-April.

The upturn, which began after an initial post-holiday dip to $1,785 a tonne for three months metal, was stalled for a while by resistance around the $1,850 area; but when this barrier was breached on Thursday fresh momentum was provided as investors who had gambled on further falls scrambled to cover their short positions.

That pattern was continued yesterday morning, when the three months delivery position peaked at $1,940 a tonne, but as bearish fundamentals were underlined by another rise in LME warehouse stocks to a fresh nine-year high profit-taking pared the price back to $1,855 a tonne at the end of after-hours trading, down $10 on the day and up $60 on the week. The sterling quotation, which was given an extra boost by the pound's weakness, had closed afternoon ring trading at £1,262.25 a tonne, up £101.75 on the week.

Dealers said the market's strength had been bolstered by concern about possible supply disruptions in the US and Chile. Labour contracts at Phelps dodge's Chino mine, Asarco's Ray mine and RTZ Corporation's Bingham Canyon all expire at the end of this month; while in Chile, unions at Chuquicamata, the world's biggest copper mine, on Wednesday rejected the first offer of a new two-year contract from Codelco, the state-owned mining corporation.

Meanwhile Asarco and Phelps Dodge executives told institutional investors in London this week that a sharp increase in US copper demand was far outweighing the downturn in Europe.

Mr Richard Osborne, Asarco's chairman, predicted that, as a result of this and of modestly reduced exports from former Soviet bloc countries, stocks in LME and New York Commodity Exchange (Comex) warehouses would begin to fall in the second half of this year.

He was less hopeful about the outlook for zinc as stocks were so high that it would take a long time for price-induced production cuts to make a significant impact on them.

Nevertheless copper's more bullish sentiment spilled over into the LME zinc market this week and the three months price, which dipped to a six-year low of $937 a tonne on Tuesday, recovered to touch $970 yesterday, before closing at $968.50 a tonne, up $2 on the week.

Lead's slide to record lows in real terms was halted in mid-week after two more smelters announced production cuts. Nuova Samim, the Italian state-owned group, said it would close its Portovesme smelter for two months at a production cost of 30,000 tonnes, while MIM Holdings of Australia revealed that it planned to reduce output by 3,000 tonnes at its Britannia Refined Metals plant in Northfleet, UK, by shutting secondary (recycling) furnaces. These cuts take recently announced output reductions to between 160,000 and 200,000 tonnes a year.

Although analysts thought a retrenchment of this order was bound to influence market sentiment before long the market's initial reaction was hesitant, with the price slide being halted rather than reversed. On Thursday, however, LME quotations started to move upwards and at yesterday's close three months lead was at £275.75 a tonne, up £8 on the week and £10.25 above Tuesday's low.

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+50	to 1,814,675
Copper	+4,400	to 424,800
Lead	+825	to 258,700
Nickel	+372	to 95,652
Zinc	+4,450	to 664,625
Tin	-110	to 20,125

Aluminium put in a robust performance, shrugging off the continuing flow of metal into bulging LME warehouses and news early in the week that labour contracts had been agreed at Aluminium Company of America, the world's biggest producer, and Reynolds Metals, also of the US, the third biggest, thus averting the threat of serious supply disruptions.

Tuesday's price decline was reversed on the following day and Thursday saw the three months price break through resistance above the $1,150-a-tonne mark. That allowed buyers to get the upper hand yesterday, when three months metal closed at $1,169.25 a tonne, up $17 on the day and $19 on the week.

At the London bullion market the gold price retreated to just above $370 a troy ounce in mid-week and traders were talking of a test of support in the $366 area. But continental buyers were back in the market on Thursday and by yesterday's after noon fix the price had recovered to $377.60 an ounce.

At that point traders were looking forward to a successful test of resistance at $378, but in the event the price slid back $3 to end $5.15 down on the week.

Cuba brought the sugar market back to life yesterday with a *force majeure* declaration that pushed the New York market's October futures price, which had been easing, up by 0.66 of a cent a lb at one stage. In late trading the rise had been trimmed to 0.55 at 11.33 cents a lb.

The Cuban move, which refers to June shipments, was reported to have been prompted by the recent torrential rain, which has made extremely difficult to move sugar to the ports.

Bad weather had already hit the Cuban sugar-cane crop, as had shortages of inputs and fuel caused in part by the break-up of the Soviet Union, the island republic's ally and main customer for sugar. Last week Cubazucar, the state sugar agency announced that the 1992-93 crop would reach only about 4.2m tonnes, down from 7m tonnes in the previous year.

Richard Mooney

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Fri Jun 4	Day's change %	Thu Jun 3	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (26)	128.26	+0.03	128.22	2.52	4.09
2	5-15 years (22)	146.95	-0.02	146.98	2.75	5.22
3	Over 15 years (10)	157.56	-0.09	157.69	2.97	3.48
4	Irredeemables (6)	176.23	+0.19	175.89	1.14	6.36
5	All stocks (64)	143.62	-0.01	143.64	2.72	4.58
	Index-Linked					
6	Up to 5 years (2)	184.51	-0.08	184.66	0.85	1.92
7	Over 5 years (11)	174.00	-0.10	174.17	1.25	1.72
8	All stocks (13)	174.30	-0.09	174.46	1.20	1.75
9	Debs & Loans (64)	128.27	+0.07	128.18	2.23	4.79

	AVERAGE GROSS REDEMPTION YIELDS		Fri Jun 4	Thu Jun 3	Year ago (approx.)	1993 High		1993 Low	
	British Government								
1	Low	5 years	7.11	7.11	8.05	7.22	29/4	6.33	19/2
2	Coupons	15 years	8.06	8.06	8.93	8.37	12/1	7.54	18/3
3	(0%-7¾%)	20 years	8.28	8.27	8.93	8.64	20/1	7.83	8/3
4	Medium	5 years	7.34	7.34	9.20	7.56	11/1	6.73	15/3
5	Coupons	15 years	8.44	8.43	9.01	8.83	19/1	8.06	8/3
6	(8%-10¾%)	20 years	8.54	8.53	8.98	9.05	20/1	8.23	13/4
7	High	5 years	7.56	7.56	9.40	7.78	11/1	6.89	8/3
8	Coupons	15 years	8.71	8.70	9.22	9.11	20/1	8.27	8/3
9	(11%-)	20 years	8.76	8.75	9.16	9.20	20/1	8.36	8/3
10	Irredeemables(Flat Yield)		8.59	8.58	9.12	9.05	20/1	8.29	13/4
	Index-Linked								
11	Inflation rate 5%	Up to 5yrs.	2.98	2.91	3.99	3.03	25/5	1.82	12/2
12	Inflation rate 5%	Over 5 yrs.	3.57	3.56	4.32	3.89	14/1	3.36	18/3
13	Inflation rate 10%	Up to 5 yrs.	2.23	2.17	3.29	2.26	25/5	0.92	12/2
14	Inflation rate 10%	Over 5 yrs.	3.39	3.38	4.15	3.72	14/1	3.19	19/3
15	Debs &	5 years	8.59	8.93	10.46	8.97	4/1	8.41	16/3
16	Loans	15 years	9.49	9.40	10.27	9.94	19/1	9.14	10/3
17		25 years	9.54	9.55	10.17	10.10	19/1	9.38	10/3

Ferruzzi names banks to draw up restructure plan

By Robert Graham in Rome and agencies

FERRUZZI, Italy's second-largest industrial grouping, announced yesterday that it and its parent company, Serafino Ferruzzi, had hired five domestic banks to draw up a restructuring plan for the financially troubled agro-industrial, chemicals and energy group.

The plan had been foreshadowed last week when Serafino, the family's private holding company, and Montedison, the main operating subsidiary, announced substantial losses.

In a statement, Ferruzzi said the plan called for an industrial and financial reorganisation of the group and that the five banks - Banca Commerciale Italiana, Banca di Roma, Credito Italiano, Istituto Bancario San Paolo di Torino and Mediobanca - would assist it in carrying out the plan.

The statement added that the plan would "safeguard the unity of the country's second-largest private-sector industrial group and assure the continued presence of the historic shareholders to which new shareholders can be added."

The statement indirectly confirmed that Mr Sergio Cragnotti, a former Ferruzzi executive, would not play a role in the restructuring.

It had been widely reported that Mr Cragnotti would assist in the much-needed recapitalisation of the Ferruzzi group.

The statement seemed to exclude a role for foreign financial institutions. Last week, it had been reported that Goldman Sachs and Citicorp, both of the US, would advise the Ferruzzi group in the restructuring.

Although no details have been disclosed, the restructuring, made necessary by the group's indebtedness, could include a large capital injection supported by the banks, possibly through an exchange of debts for equity.

Ferruzzi last week reported a loss of L15,190bn ($10.5bn) in 1992, compared with a net profit of L1,15bn lire in 1991.

The group's consolidated net indebtedness jumped to L15,123bn at the end of 1992 from L8,801bn a year earlier.

Ferruzzi had already announced an asset sales plan aimed at concentrating the group's assets in the agro-industrial division.

● Generali, Italy's largest insurance group, raised consolidated net profit in 1992 by a marginal 0.9 per cent to L675.7bn ($443m) from L670bn.

CMB sells packaging division

By Alice Rawsthorn in Paris

SCHMALBACH-Lubeca, the German packaging and paper group, has acquired Impetus, one of Europe's largest manufacturers of PET packaging, from the CarnaudMetalbox packaging company for an undisclosed sum in a cash transaction.

Impetus, which has annual sales of FFr780m ($144.4m) through its operations in the UK, France and Spain, was until earlier this year run as a joint venture between CMB and the Lawson Mardon group.

However, the capital requirements of the PET sector are very high and neither CMB nor Lawson Mardon was prepared to make the necessary financial commitment to modernise Impetus's production plants and develop the business.

Moreover, CMB, which has an annual turnover of FFr25bn and employs 30,000, is pursuing a policy of concentrating resources on three important areas of activity - steel-based packaging products, packaging for the health and beauty business and expansion in the Asia-Pacific region.

Mr Jürgen Hintz, CMB chief executive, described Impetus as "a good business, but not strategic for us".

He said the disposal would enable CMB "to focus our efforts even more on our core strategic businesses".

CMB will retain its other PET interests, which are directly related to the health and beauty sector.

The Impetus deal follows the sale of a 25.3 per cent stake in CMB previously held by MB-Caradon, the UK building products group, to a consortium of investors led by CGIP, the French holding company which was already a minority shareholder.

Schmalbach, a leading European packaging manufacturer, has been keen to expand its interests in the PET sector. A subsidiary of the Viag industrial group with more than 12,500 employees, Schmalbach made pre-tax profits of DM91m ($56.9m) last year on sales of DM3.46bn.

The Impetus deal is the latest in a series of international acquisitions by Schmalbach.

Last year it bought Italian White Cap, a metal vacuum lid manufacturer, following the previous year's purchase of Continental White Cap in the US for DM500m and Continental Can Europe for DM1bn.

Suez increases stake in Victoire

By Alice Rawsthorn

SUEZ, one of France's largest industrial and financial holding companies, has increased its controlling shareholding in the Victoire insurance group by 10 per cent.

It has acquired stakes previously held by two other insurance companies, Baltica of Denmark and Dai-Ichi of Japan.

The acquisition, which raises Suez's interest in Victoire to 63 per cent from 53 per cent, comes at a time when the subject of Victoire's ownership is in the spotlight following months of wrangling between Suez and Union des Assurances de Paris.

UAP owns a 35 per cent stake in Victoire and a significant holding in Suez.

UAP, chaired by Mr Jean Peyrelevade, former head of Suez, is keen to swap its Victoire holding for a controlling position in Colonia, the German insurer run by Victoire.

However, Mr Gérard Worms, chairman of Suez, recently broke off negotiations after a disagreement over the price of the deal.

Mr Peyrelevade has since been manoeuvring to increase UAP's influence over Colonia and Victoire, while Suez has been taking pre-emptive steps to try to prevent such a move.

As a result, when Baltica put its Victoire shares up for sale earlier this year, Suez agreed to buy them. It is paying FFr1.2bn ($222.3m) for the 5 per cent stake.

Similarly, Suez was receptive to Dai-Ichi's suggestion that it swapped its 5 per cent holding in Victoire for shares in Suez.

The French company is issuing convertible bonds to Dai-Ichi so that the Japanese group can raise its stake in Suez to 3.5 per cent from 1.4 per cent.

Rome faces pressure to settle ENI finance deal

By Robert Graham

THE Italian government is expected to come under strong pressure to allow ENI, the state oil group, to retain the proceeds of its privatisation following the announcement of a L1,081bn ($708m) loss in 1992 and a sharp rise in borrowings.

When ENI was turned into a joint stock company last August, the Amato government said the oil conglomerate would have to hand over funds raised through privatisation to the Treasury.

In contrast, IRI, the state holding company, was permitted to retain the proceeds of privatisation because it was in poor financial shape.

Last year's loss - ENI's first for eight years - compared with profits of L815bn in 1991 and L2,072bn in 1990.

At the same time, net debt rose to L28,439bn from L23,298bn. Unofficial estimates of ENI's net worth centre on L18,000bn.

ENI is in the throes of a reorganisation of management and a slimming of activities to concentrate on core business under Mr Franco Bernabe. He has been in control since March, when Mr Gabriele Cagliari, chairman, was arrested along with the chief executives of ENI's four main subsidiaries, on charges of corruption and illicit financing of political parties and falsifying accounts.

The full impact of the corruption scandals on ENI is likely to be reflected in the 1993 accounts. But the group announced that the cost of extraordinary items was L1,379bn, believed to be largely paying for cuts in the labour force and covering effects of the corruption scandals.

In addition, financial charges and foreign exchange losses as a result of devaluation of the lira were L2,581bn against L2,090bn.

ENI is committed to a broad programme of divestiture. But with capital spending last year running at L10,700bn, the group will be squeezed for funds if it is not allowed to benefit from the proceeds of its privatisation.

Significantly, the group pointed out this week that its core oil business turned in a profit of L1,252bn.

The losses weighing down the group came from its involvement in chemicals, fertilisers, textiles, mining and publishing. Losses from ENI's chemical business totalled L1,790bn.

Foreigners make inroads into China

Lynne Curry reports on the country's rapidly modernising car market

TWO decades ago, traffic jams in China consisted mostly of bicycles with the occasional bus, truck, or official limousine. Today, the country's roads are crowded with imported cars and lorries.

Foreign manufacturers are scrambling to get a foothold in this large and rapidly modernising market of more than 1bn people. Foreign car sales are rising fast. Chinese car imports have risen from about 40,000 a year in the mid-1980s to 120,000 in 1992.

The potential for growth is enormous. There are just 7m vehicles on China's roads of which barely 850,000 were produced at home last year. By contrast, the US produces more than 12m cars and trucks a year.

In an effort to meet demand, joint ventures with foreign car groups produced about 200,000 cars in 1992 and are expected to turn out 305,000 cars this year. The market for cars made in China by foreign manufacturers is dominated by Germany's Volkswagen. Other big sellers are Peugeot of France, Chrysler of the US and Daihatsu of Japan.

Western analysts predict that by the end of the century foreign car manufacturers in China will produce about 1m vehicles annually. That is half the output the government hopes the Chinese motor industry will reach within the next decade.

In addition to attempting to satisfy consumer demand for cars, foreign manufacturers are seeking to break into the light duty truck and minibus market.

VW is negotiating with the Chinese to produce a seven to nine-seater minibus. Chinese officials are having talks with Ford and Chrysler about similar proposals.

Foreign companies are trying to break into the minibus market

GM produces a light duty pick-up truck in a joint venture with Jinbei, one of the country's largest state-owned vehicle manufacturers, in Shenyang in north-east China. In Nanjing, Fiat has an operation that turned out 5,500 15-20 seater minibuses last year.

In spite of these developments, foreign vehicle manufacturers face significant obstacles in reaching the level of volumes needed to make the Chinese motor industry competitive internationally. "To be profitable, you need economies of scale to produce in a higher volume," a US car manufacturer says.

The Chinese vehicle industry is highly fragmented, with factories that produce components scattered across the country, far from the large state-run vehicle manufacturers.

In addition, there are about 120 small individual vehicle manufacturers making about 10 vehicles a week. With this kind of minimal output and decentralisation, these types of enterprises are unable to achieve the levels of efficiency and profit that come with producing in great volume.

An inefficient spare parts sector makes developing cars difficult. "A weak supply industry is the main hurdle in the way of a model change," one European carmaker says. "A model change costs about $200 to $300 per car. The Chinese want change, but they can't afford it at that cost."

In order to curb random car production and streamline the country's vehicle industry, Beijing announced it would ban all car production by small manufacturers not included in China's eighth five-year plan. This move is also an effort to help the industry focus on making more internationally competitive parts.

To improve the spare parts industry, two Shanghai companies have signed letters of intent with Ford to establish joint ventures to manufacture car components. Ford plans to establish a joint venture with China's leading car maker to design and develop component systems that would be made in China.

Because of the fragmentation of its industry and its inability to produce cheap, high-quality cars in large volume, China's ambitions to become a vehicle exporter, like its neighbours Japan and South Korea, have been thwarted.

The 240 per cent to 300 per cent duties and other fees charged on all imported vehicles make the difficulties greater.

While these charges are designed to protect the growth of the home-based industry they also shield the small, inefficient vehicle producers from competition and prohibit China from moving to high-volume production.

However, Beijing is under pressure to lift these duties and tariffs to be able to join the General Agreement on Tariffs and Trade.

Chinese officials have said they would reduce some of the taxes on passenger cars, but at the same time they want foreign car manufacturers to reduce their profit margins.

Procordia to sell Wallac to EG&G for SKr330m

By Hugh Carnegy in Stockholm

PROCORDIA, the Swedish pharmaceuticals and food group, is selling Wallac, a Finnish biotechnology subsidiary, to EG&G, a US services and technology group. The unit is changing hands for SKr330m ($45m).

The company said the sale was not connected to an agreement to demerge its drugs and consumer goods units, reached on Thursday between the Swedish government and Volvo, the vehicle manufacturer, which jointly control Procordia.

Procordia had planned for some time to dispose of Wallac, which has annual turnover of $50m, because its diagnostic equipment did not fit with Procordia's core biotechnology activities. Wallac became part of Procordia three years ago.

The deal between the government and Volvo will result in the consumer goods section of Procordia being taken over wholly by Volvo, while the government will privatise its majority holding in the streamlined pharmaceuticals business by 1995. Volvo will remain a large shareholder in the pharmaceuticals side, holding up to 35 per cent.

Mr Jan Ekberg, Procordia's chief executive, said the new drugs-only company would concentrate on expanding in the US and Japan following the integration this year of Erbamont, the Italian drugs group acquired from Montedison in May and poised to become fully owned by Procordia.

Canadian pulp group to spin off forestry arm

By Robert Gibbens in Montreal

CANADIAN Pacific Forest Products, the North American pulp and paper group, plans to spin off its western Canada wood products business into a new publicly-held subsidiary.

The new unit is Pacific Forest Products, which will make an initial public offer of 10m common shares through an underwriting group led by Burns Fry, Scotia McLeod and RBC Dominion Securities.

Pacific Forest will take over CPFP's western saw-mill operations.

CPFP, which is owned by the Canadian Pacific transport and resources conglomerate, will retain a voting majority in Pacific Forest.

Pacific Forest had pro-forma 1992 sales of C$173m ($138m) and operating profits of C$22.9m. A preliminary prospectus has been filed for the public issue and the terms will be set by mid-July.

● Tioxide Canada, an affiliate of ICI of the UK, will pay a C$4m fine for allowing a titanium pigment plant near Montreal to pollute the St Lawrence river.

It is the highest environmental fine imposed in Canada for pollution.

Mr Guy Martin, head of Environment Canada's investigations division in Quebec, said he was happy with the outcome. "The court recognised it is criminal to pollute," he said.

The C$4m penalty will be used mainly to restore wildlife habitat on the St Lawrence south shore.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1993	Low 1993
Gold per troy oz.	$374.60	-5.15	$338.65	$379.75	$326.05
Silver Per troy oz	294.50p	-4	221.50p	299.00p	236.00p
Aluminium 99.7% (cash)	$1146.5	+16.5	$1303	$1236.5	$1108
Copper Grade A (cash)	£1255.5	+109	£1240.5	£1563.5	£1108.5
Lead(cash)	£268.5	+8	£303.50	£309	£255.75
Nickel (cash)	$5727.5	+77.5	$7180	$6340	$5630.0
Zinc SHG (cash)	$950	+2.5	$1445	$1112	$921.0
Tin (cash)	$5257.5	-46	$6430	$6047.5	$5097.5
Cocoa Futures (Jul)	£684	+1	£563	£751	£663
Coffee Futures (Jul)	$908	-12	$730	$985	$836
Sugar (LDP Raw)	$275.50	+4	$258	$317.4	$204.5
Barley Futures (Sep)	£105.30	-0.5	£107.40	£110.30	£105.30
Wheat Futures (Jun)	£133.85	-6.15	£110.50	£149.45	£133.85
Cotton Outlook A Index	60.05c	+0.55	61.60c	62.35c	54.75c
Wool (64s Super)	357	-18	418p	403p	340p
Oil (Brent Blend)	$18.40x	-0.285	$21.25	$19.53	$16.65

Per tonne unless otherwise stated. p-pence/kg. c-cents lb. x-Jul.

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Jul)		+ or -
Dubai	$16.23-6.25z	+.045
Brent Blend (dated)	$18.30-8.34	+0.08
Brent Blend (Jul)	$18.38-8.42	+0.05
W.T.I (1 pm est)	$19.85-9.89z	+0.07
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$206-208	-0.5
Gas Oil	$171-172	-1
Heavy Fuel Oil	$65-67	
Naphtha	$180-181	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$373.25	
Silver (per troy oz)♣	444c	
Platinum (per troy oz)	$390.75	+3
Palladium (per troy oz)	$123.75	+1.25
Copper (US Producer)	89.0c	+1.5
Lead (US Producer)	34.63c	
Tin (Kuala Lumpur market)	13.28r	+0.11
Tin (New York)	243.0c	+3.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	143.82p	+0.85*
Sheep (live weight)†♦	125.95p	-8.63*
Pigs (live weight)†	86.69p	-0.71*
London daily sugar (raw)	$275.5	+1.8
London daily sugar (white)	$281.0	+9
Tate and Lyle export price	£290.0	+1
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£166.5	
Wheat (US Dark Northern)	Unq	
Rubber (Jul)♥	59.00p	+0.5
Rubber (Aug)♥	59.25p	+0.5
Rubber (KL RSS No 1 May)	209.5m	
Coconut oil (Philippines)§	$447.5y	-10
Palm Oil (Malaysian)§	$372.5u	+2.5
Copra (Philippines)§	$290.0u	+4
Soyabeans (US)	£173.5z	
Cotton "A" index	60.05c	
Wooltops (64s Super)	357p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jul/Aug u-Jun.z-July.. v-Oct/Dec ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♦Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR - London FOX			($ per tonne)	
White	Close	Previous	High/Low	
Aug	284.50	276.30	287.00	277.90
Oct	283.50	278.00	286.00	277.00
Dec	287.00	278.80	287.00	280.50
Mar	286.00	280.50	287.30	285.00

White 1687 (2205) Paris- White (FFr per tonne): Aug 1565.97 Oct 1567.06

CRUDE OIL - IPE			$/barrel	
	Latest	Previous	High/Low	
Jul	18.40	18.31	18.43	18.27
Aug	18.56	18.43	18.57	18.43
Sep	18.71	18.58	18.71	18.59
Oct	18.75	18.69	18.75	18.68
Nov	18.82	18.75	18.82	18.82
Dec	18.90	18.84	18.91	18.84
Jan	18.85	18.83	18.85	
IPE Index	18.44	18.62	18.44	

Turnover 18926 (32152)

GAS OIL - IPE			$/tonne	
	Close	Previous	High/Low	
Jun	170.00	171.25	170.50	169.50
Jul	170.50	171.75	171.00	170.25
Aug	172.00	173.25	172.50	171.75
Sep	174.25	175.25	174.75	174.00
Oct	177.50	178.50	177.75	177.25
Nov	180.00	181.00	180.00	179.25
Dec	182.00	183.00	182.00	181.25
Jan	182.50	183.25	182.50	
Feb	180.25	181.50	180.25	

Turnover 9288 (12319) lots of 100 tonnes

SPICES

The pepper market was firm and active this week, reports Man Producten, reflecting lower crop estimates in the majority of growing areas and that exporters were withdrawn from the market. White Muntok spot was quoted at $1,800 a tonne, May/Jun delivery at $1,700 and Jun/Jul at $1,725. Sarawak, Thai, Chinese and Brazilian white pepper were off the market. Among the black peppers Sarawak black label spot was at $1,150 a tonne and Jun/Jul delivery at $1,100. Sarawak yellow label spot was $1,200 and Jun/Jul $1,150. Brazilian grade 1, Jun/Jul was offered at $1,035 a tonne and India MG1 at $1,100 for June delivery.

COCOA - London FOX			£/tonne	
	Close	Previous	High/Low	
Jul	684	682	685	657
Sep	679	678	680	672
Dec	699	699	699	693
Mar	720	719	720	714
May	735	733	735	729
Jul	749	747	749	742
Sep	762	762	762	758
Dec	784	784	784	781
Mar	807	806	806	805

Turnover: 5077 (3692) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 3 682.75 (684.72) 10 day average for Jun 4 692.93 (694.51)

COFFEE - London FOX			$/tonne	
	Close	Previous	High/Low	
Jul	908	915	914	907
Sep	918	923	923	916
Nov	929	929	929	921
Jan	934	934	932	928
Mar	938	934	940	

Turnover: 2412 (1419) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jun 3 Comp. daily 54.60 (54.84) 15 day average 55.00 (54.84)

POTATOES - London FOX			£/tonne
	Close	Previous	High/Low
Apr	98.8	100.3	100.0

Turnover 11 (76) lots of 20 tonnes.

SOYAMEAL - London FOX			£/tonne
	Close	Previous	High/Low
Jun	146.8	-	146.8

Turnover 25 (25) lots of 20 tonnes.

FREIGHT - London FOX			$10/index point	
	Close	Previous	High/Low	
Jun	1430	1460	1453	1430
Jul	1315	1340	1345	1315
Aug	1310	1345	1345	1310
Oct	1400	1433	1430	1400
Jan	1430	-	1431	1425
BFI	1597	1609		

Turnover 102 (143)

GRAINS - London FOX			£/tonne	
Wheat	Close	Previous	High/Low	
Jun	133.85	136.50	136.00	133.75
Nov	109.00	109.35	109.05	108.95
Jan	111.85	112.15	111.90	111.75
Mar	114.40	114.65	114.40	
Jun	117.50	-	117.50	
Barley	Close	Previous	High/Low	
Sep	105.30	-	105.75	
Mar	112.50	-	112.50	

Turnover: Wheat 183 (141), Barley 5 (6).
Turnover lots of 100 Tonnes.

PIGS - London FOX			(Cash Settlement) p/kg	
	Close	Previous	High/Low	
Jun	116.5	115.0	116.0	115.5
Jul	107.5	107.0	107.5	
Nov	106.0	-	106.0	
Jan	105.0	-	105.0	
Feb	105.0	-	105.0	
Mar	105.8	-	105.8	

Turnover:60 (6) lots of 3,250 kg

LONDON METAL EXCHANGE			(Prices supplied by Amalgamated Metal Trading)			
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 44,060 lots	
Cash	1146-7	1130-1	1141/1141	1140.5-1.0		
3 months	1169-9.5	1152-2.5	1174/1158	1163.5-4.0	1172-2.5	197,683 lots
Copper, Grade A (£ per tonne)					Total daily turnover 101,726lots	
Cash	1255-6	1218-20	1258/1255	1258-8.5		
3 months	1262-2.5	1220.5-1.0	1269/1226	1262-3	1229-30	213,656 lots
Lead (£ per tonne)					Total daily turnover 1,870 lots	
Cash	268.25-8.75	261.5-2.5	262.5/262.5	262.5-3.0		
3 months	275.5-6.0	271-1.5	276/271.75	271.75-2.0	275.5-6.0	20,925 lots
Nickel ($ per tonne)					Total daily turnover 2,977 lots	
Cash	5725-30	5750-60		5740-3		
3 months	5790-5	5825-6	5850/5780	5802-3	5775-80	47,357 lots
Tin ($ per tonne)					Total daily turnover 2,264 lots	
Cash	5255-60	5220-30	5264/5263	5262-3		
3 months	5305-15	5275-80	5340/5290	5310-5	5290-5	10,426 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 11,263 lots	
Cash	949-51	936-8	947/947	947-8		
3 months	968-9	955-6	970/958	965.5-6.5	969-70	66,717 lots

LME Closing £/$ rate:
SPOT: 1.5182 3 months: 1.5065 6 months: 1.5000 9 months: 1.4936

LONDON BULLION MARKET (Prices supplied by N M Rothschild)		
Gold (troy oz)	$ price	£ equivalent
Close	374.40-374.80	
Opening	374.00-374.40	
Morning fix	377.50	244.580
Afternoon fix	377.60	247.607
Day's high	377.75-378.50	
Day's low	373.00-373.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.28	6 months	2.38
2 months	2.31	12 months	2.44
3 months	2.35		

Silver fix	p/troy oz	US cts equiv
Spot	291.65	450.00
3 months	295.60	453.15
6 months	299.55	456.85
12 months	307.75	466.30

GOLD COINS		
	$ price	£ equivalent
Krugerrand	376.00-379.00	243.00-245.00
Maple leaf	388.00-390.75	-
New Sovereign	88.50-92.50	58.00-60.00

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Aug	Oct	Aug	Oct
1150	39	60	23	29
1175	26	47	35	40
1200	17	35	51	53
Copper (Grade A)	Calls		Puts	
1800	118	134	52	69
1850	88	106	74	92
1900	66	85	101	119
Coffee	Jul	Sep	Jul	Sep
900	24	58	16	48
950	7	37	49	69
1000	1	23	93	105
Cocoa	Jul	Sep	Jul	Sep
600	64	84	-	5
625	40	63	1	9
650	20	46	6	17
Brent Crude	Jul	Aug	Jul	Aug
1800	-	-	9	22
1850	12	42	28	40
1900	2	21	-	-

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Jun	376.8	374.6	377.8	375.0
Jul	377.6	375.4	0	0
Aug	378.5	376.2	380.2	375.8
Oct	380.2	377.8	381.1	379.0
Dec	381.9	379.4	383.5	380.0
Feb	383.5	380.9	384.2	382.3
Apr	385.2	382.6	386.5	385.8
Jun	386.9	384.1	385.4	385.4
Aug	388.7	385.9	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jul	390.5	392.6	394.5	388.5
Oct	389.0	390.9	393.0	388.0
Jan	388.5	390.3	392.0	390.0
Apr	388.0	390.1	391.0	390.5

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Jun	443.4	444.7	444.0	444.0
Jul	444.5	445.8	450.5	443.5
Aug	446.1	447.4	0	0
Sep	447.7	449.0	453.5	447.0
Dec	452.3	453.6	458.0	451.0
Jan	452.9	454.1	0	0
Mar	457.0	458.1	462.0	457.0
May	460.7	461.6	465.0	462.0
Jul	463.9	464.8	0	0
Sep	467.5	468.4	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jun	81.25	84.05	86.40	81.20
Jul	81.45	84.30	87.00	80.70
Aug	85.20	84.40	85.80	85.80
Sep	81.85	84.50	87.10	81.50
Oct	82.05	84.70	86.90	85.60
Nov	82.20	84.85	0	0
Dec	82.40	85.00	87.40	82.40
Jan	82.65	85.15	86.30	83.00
Feb	82.70	85.30	0	0
Mar	82.90	85.50	87.80	83.40

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Jul	19.84	19.74	19.88	19.74
Aug	20.02	19.94	20.06	19.94
Sep	20.13	20.05	20.16	20.06
Oct	20.19	20.11	20.21	20.12
Nov	20.22	20.14	20.26	20.16
Dec	20.23	20.16	20.27	20.17
Jan	20.28	20.15	20.28	20.21
Feb	20.14	20.14	0	0
Mar	20.14	20.13	0	0
Apr	20.12	20.12	0	0

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Jul	54.40	54.19	54.75	54.20
Aug	55.20	54.84	55.30	54.80
Sep	56.15	55.81	56.30	55.70
Oct	57.20	56.79	57.25	56.75
Nov	58.15	57.76	58.25	57.70
Dec	59.10	58.68	59.15	58.70
Jan	59.40	59.16	59.55	59.20
Feb	59.25	58.89	59.50	59.10
Mar	58.00	57.54	58.25	57.95
Apr	56.50	56.14	0	0

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Jul	865	871	869	853
Sep	890	906	902	888
Dec	931	945	942	930
Mar	970	986	980	970
May	993	1014	1002	997
Jul	1013	1034	0	0
Sep	1034	1058	1043	1036
Dec	1065	1089	1080	1071
Mar	1100	1124	1115	1105

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	58.85	60.90	60.90	58.75
Sep	60.70	62.75	62.50	60.60
Dec	63.35	65.30	65.20	63.20
Mar	65.95	67.75	67.60	65.75
May	67.15	69.30	67.60	67.60
Jul	69.00	70.60	70.50	70.50
Sep	70.90	72.10	71.00	71.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	10.96	10.46	11.25	10.92
Oct	11.36	10.78	11.46	11.16
Mar	11.03	10.64	11.06	10.84
May	10.90	10.56	10.91	10.70
Jul	10.70	10.50	10.70	10.52
Oct	10.64	10.44	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Jul	60.16	60.87	60.95	60.02
Oct	59.32	59.63	59.70	59.15
Dec	58.75	59.18	59.15	58.51
Mar	59.77	60.10	60.00	59.45
May	60.50	60.86	60.65	60.20
Jul	60.85	61.05	60.90	60.90
Oct	60.65	60.75	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	110.45	108.65	110.80	107.75
Sep	113.50	112.80	114.00	111.20
Nov	115.30	115.15	116.00	113.50
Jan	117.25	117.25	117.25	116.50
Mar	118.30	118.25	118.30	117.00
May	118.50	118.75	118.50	118.20
Jul	119.00	118.75	119.00	119.00
Sep	119.00	118.75	0	0
Nov	119.00	118.75	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)			
Jun 4	Jun 3	mnth ago	yr ago
1669.7	1660.6	1647.2	1596.1

DOW JONES (Base: Dec. 31 1974 = 100)				
	Jun 3	Jun 2	mnth ago	yr ago
Spot	120.03	119.71	119.63	117.77
Futures	121.67	120.74	122.84	119.00

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Jul	588/4	590/0	591/0	582/4
Aug	586/0	587/6	589/2	581/0
Sep	582/6	584/6	586/0	578/0
Nov	584/0	584/6	587/0	579/4
Jan	590/2	591/0	593/0	587/0
Mar	596/4	596/0	599/4	593/4
May	600/0	600/4	601/4	595/4
Jul	602/4	602/4	603/0	596/4

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	20.69	20.78	20.87	20.53
Aug	20.80	20.92	21.00	20.66
Sep	20.95	21.04	21.11	20.73
Oct	21.09	21.16	21.22	20.96
Dec	21.30	21.38	21.45	21.19
Jan	21.41	21.49	21.52	21.30
Mar	21.61	21.69	0	0
May	21.82	21.87	0	0
Jul	21.98	21.98	0	0

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Jul	187.4	187.8	187.8	185.7
Aug	186.7	186.7	186.8	184.9
Sep	186.0	186.3	186.5	184.9
Oct	186.0	186.0	186.1	184.8
Dec	186.6	186.6	186.7	184.8
Jan	186.5	186.0	186.5	185.0
Mar	186.5	186.5	186.8	185.2
May	187.0	186.7	187.0	185.5

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Jul	219/2	219/0	219/6	216/0
Sep	224/2	223/6	224/4	221/0
Dec	231/4	229/6	232/0	227/6
Mar	238/2	237/2	239/4	235/4
May	244/2	241/6	244/2	240/6
Jul	248/4	246/0	248/4	244/2
Sep	243/0	242/0	244/0	241/4
Dec	243/0	240/2	243/0	239/6

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Jul	285/2	285/2	285/6	283/2
Sep	289/0	288/2	289/4	286/6
Dec	301/0	300/6	301/0	298/4
Mar	307/2	306/6	307/4	305/2
May	306/0	306/6	308/0	305/4
Jul	305/4	306/2	308/0	304/6

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jun	76.475	75.475	76.500	75.850
Aug	75.200	73.725	75.225	73.850
Oct	75.550	74.500	73.750	74.600
Dec	75.425	74.525	75.650	74.525
Feb	74.850	74.025	75.100	74.100
Apr	75.925	75.150	75.950	75.050
Jun	73.050	72.325	73.225	72.700

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Jun	50.850	51.300	51.200	50.575
Jul	48.250	48.800	48.375	48.650
Aug	47.375	46.925	47.475	46.625
Oct	42.375	42.175	42.400	41.950
Dec	43.425	43.175	43.675	43.050
Feb	43.500	43.450	43.500	43.350
Apr	42.400	42.350	42.450	42.300
Jun	47.700	47.700	47.800	47.700

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	38.200	38.475	39.200	37.850
Aug	37.350	37.575	38.200	37.100
Feb	40.925	40.675	41.300	40.625
Mar	40.175	40.025	40.750	40.100
May	40.800	40.800	41.200	0
Jul	42.800	0	0	0
Aug	40.000	0	0	0

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar surges against D-Mark

STRONGER-THAN-EXPECTED US employment data, caused the dollar to surge sharply yesterday, rising 3 pfennigs against the German D-mark, *writes Gillian Tett.*

The US non-farm payroll figures for May showed an increase of 209,000, higher than previous forecasts of 141,000.

Coupled with slight fall in the unemployment rate, from 7.0 per cent in April to 6.9 per cent in May, the data fuelled market confidence about the prospects for US economic recovery, causing the dollar to strengthen against most currencies.

Though its movement against the D-Mark was slightly tempered by the announcement of better-than-expected German figures for manufacturing orders and unemployment, the dollar nevertheless rose against the D-Mark, piercing the DM1.62 resistance level.

By the close of the day it stood at DM1.622 up from the previous day's close of DM1.602.

Although its gains against the yen were slightly more modest, it nevertheless finished at 107.7 yen, up on itsopening level of 106.80 yen.

But while most dealers agreed that the dollar seemed set to strengthen further over the coming months, they were devided about how far it would be able to defend its gains against the D-Mark in the short term.

Mr Avinash Persaud, economist at UBS believed that yesterday's dramatic rise marked the beginning of a clear trend, in light of Germany's economic weakness.

"The dollar will be well supported for a time to come," said Mr Persaud.

But as Ms Alison Cottrell at Midland Global Markets Research pointed out, relatively weak US manufacturing indicators suggested that the American recovery was still patchy. Coupled with the slightly better-than-expected German economic indicators, the D-mark might, she suggested, harden slightly over the next few days.

"The important thing about today's figures from Germany is not that they were good, because they weren't, but they weren't as bad as expected and that is helping the D-Mark," said Ms Cotterell.

Continued uncertainty over Spain's general election; caused the peseta to slip slightly against the D-Mark during the day, closing at Pta78.27 against yesterday's close of 77.89. With the markets fearing an inconclusive election result, many analysts predict a turbulent time for the peseta next week.

"The peseta is very vulnerable right now," said Mr Julian Callow, treasury economist at Citibank.

£ IN NEW YORK

June 4	Latest	Previous Close
£ Spot	1.5130-1.5140	1.5430 1.5440
1 month	0.35-0.34pm	0.36 0.34pm
3 months	1.00-0.98pm	1.01 0.98pm
12 months	3.15-3.08pm	3.20 3.12pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jun 4	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	192.854	187.451	-2.80	3.42	47
Irish Punt	0.808628	0.800303	-1.03	1.57	47
Spanish Peseta	154.250	152.855	-0.90	1.44	18
Dutch Guilder	2.19672	2.18750	-0.42	0.95	21
Belgian Franc	40.2123	40.0853	-0.32	0.84	16
D-Mark	1.94964	1.94974	0.01	0.52	0
Danish Krone	7.43679	7.46446	0.37	0.15	-17
French Franc	6.53883	6.57301	0.52	0.00	-28

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

STERLING INDEX

CURRENCY RATES

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

CURRENCY MOVEMENTS

OTHER CURRENCIES

EURO-CURRENCY INTEREST RATES

Long term Eurodollars: two years 4½-4⅜ per cent; three years 4⅞-4¾ per cent; four years 5¼-5⅛ per cent; five years 5⅝-5½ per cent nominal. Short term rates are call for US Dollar and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

June 4	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.518	2.462	163.5	8.302	2.215	2.765	2248	1.948	50.60	192.7	1.260
$	0.659	1	1.622	107.7	5.469	1.459	1.821	1481	1.283	33.33	126.9	0.830
DM	0.406	0.617	1	66.41	3.372	0.900	1.123	913.1	0.791	20.55	78.27	0.512
YEN	6.116	9.284	15.06	1000.	50.78	13.55	16.91	13749	11.91	309.5	1179	7.708
F Fr.	1.205	1.828	2.966	196.9	10.	2.668	3.331	2708	2.346	60.95	232.1	1.518
S Fr.	0.451	0.685	1.112	73.81	3.748	1	1.248	1015	0.879	22.84	87.00	0.569
N Fl.	0.362	0.549	0.890	59.13	3.003	0.801	1	813.0	0.705	18.30	69.69	0.456
Lira	0.445	0.675	1.095	72.73	3.693	0.985	1.230	1000.	0.867	22.51	85.72	0.560
C $	0.513	0.779	1.264	83.93	4.262	1.137	1.419	1154	1	25.96	98.92	0.647
B Fr.	1.976	3.000	4.866	323.1	16.41	4.377	5.464	4443	3.850	100.	380.8	2.490
Pta	0.519	0.788	1.278	84.85	4.308	1.149	1.435	1167	1.011	26.26	100.	0.654
Ecu	0.794	1.205	1.954	129.8	6.589	1.758	2.194	1784	1.546	40.16	152.9	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.5180	1.5145	1.5084	1.5011	1.4895
D-mark	2.4625	2.4662	2.4730	2.4811	2.4845
French Fr.	8.3025	8.3260	8.6559	8.9175	9.1415
Swiss Fr	2.2150	2.2133	2.2119	2.2062	2.1925
Yen	163.50	163.11	162.41	161.48	159.62

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls July	Calls September	Calls December	Puts July	Puts September	Puts December
115	-	1.86	-	0.05	0.35	-
116	-	1.14	-	0.21	0.64	1.29
117	0.16	0.65	-	0.65	1.10	-
118	0.03	0.30	-	-	-	-
119	-	0.13	0.34	-	-	-
Open Int	8,141	119,710	34,468	21,791	109,073	19,978

Estimated volume 64,372 † Total Open Interest 339,864
† All Yield & Open Interest figures are for the previous day.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5180	1.5145	1.5084	1.5011	1.4895

MONEY MARKETS

London Markets Static

LONDON money markets remained largely static yesterday, reflecting the uncertainty that is still dogging the British markets, as they wait for clear policy signals from the new Chancellor, *writes Gillian Tett.*

In spite of hopes earlier in the week that Mr Kenneth Clarke, the British Chancellor might be prodded into early interest rate cuts, the mood among dealers by the close of the week was more downbeat. Although the shorter end of the market was more optimistic than the long end about the prospect of early rate cuts, most analysts predicted that three month interbank rates would remain frozen around yesterday's close of 5¾ per cent for the near future.

UK clearing bank base lending rate
6 per cent
from January 26, 1993

"There are a lot of political pressures for a rate cut. But I can't see the Chancellor doing anything until the Mansion House speech, or perhaps even longer," said one dealer, who predicted that consequently three month interbank rates would continue to hover between 5¾ per cent and 5⅞ per cent.

After trading in a narrow band, the September contract for sterling futures closed around 94.25, slightly lower than the previous day's close of 94.28.

For the second day running, the Bank of England was slow to meet the £1.9bn shortage it had forecast for the day. But after late assistance of £475m, overnight rates closed at 6½ per cent.

On the continent, German futures drifted slightly downwards, after the Bundesbank's decision on Thursday not to cut its repurchase rate from 6.70 per cent. After a heavy day's trading, the September contract closed at 93.21, 9 basis points down on the previous day, of 93.30.

With yesterday's figures for German manufacturing orders and unemployment slightly better than expected, there was a growing expectation that the Bundesbank might be prodded into reducing its 7.60 per cent repurchase rate when it meets next week, in spite of the D-Marks' continued softness.

Meanwhile, with the Spanish economy still the focus of nervous attention in the run up to Sunday's general election, the Bank of Spain yesterday announced that it had injected Pta 601bn in money market funds at 11.82 per cent, slightly higher than the previous day's rate.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 4) 3 months US dollars		6 months US Dollars	
bid 3⅜	offer 3½	bid 3⅝	offer 3¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime

Prime rate	6
Broker loan rate	5
Fed.funds	2¹⁵⁄₁₆
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	2.73	Three year	4.67
Two month	2.86	Five year	5.38
Three month	3.16	Seven year	5.74
Six month	3.34	10-year	6.11
One year	3.64	30-year	6.92
Two year	4.31		

June 4	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.85-7.95	7.70-7.80	7.55-7.70	7.45-7.60	7.15-7.30	8.50
Paris	7⅞-8	7¾-7⅞	-	7⅛-7⁵⁄₁₆	-	7.50
Zurich	5⅛-5⅜	5³⁄₁₆-5⁵⁄₁₆	-	5-5⅛	-	-
Amsterdam	7.00-7.12	6.98-7.03	-	6.80-6.88	-	-
Tokyo	3⅜-3⅞	3⅛-3⅜	-	3⅛-3⅜	-	-
Milan	11-11⅛	10⅝-10¾	-	-	-	-
Brussels	6¹³⁄₁₆-7⅛	7-7⅛	-	-	-	-
Dublin	6½-6¾	7⅛-7¼	7⅛-7¼	7¼-7¼	-	-

LONDON MONEY RATES

Treasury Bills (sell): one-month 5⅝ per cent; three months 5⅞ per cent; Bank Bills (sell): one-month 5¾ per cent; three months 5¹³⁄₁₆ per cent; Treasury Bills: Average tender rate of discount 5.2123 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day May 28, 1993. Agreed rates for period June 23, 1993 to July 25, 1993, Scheme I & II: 7.30 p.c. Reference rate for period May 1, 1993 to May 28, 1993, Scheme IV&V: 6.039 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 6¼ from June 1, 1993. Bank Deposit Rate for sums at 7 days notice 5¾ p.c. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 2¼ p.c.; one-three months 5¼ p.c.; three-six months 5 p.c.; six-nine months 4¾ p.c.; nine-twelve months 4½ p.c.; Under £100,000 2¾ p.c. from Jan 27, 1993. Deposits withdrawn for cash 1¼p.c.

BANK RETURN

BANKING DEPARTMENT	Wednesday June 2, 1993		Increase or decrease for week
LIABILITIES	£		£
Capital	14,553,000		
Public Deposits	138,227,130	-	8,346,283
Bankers Deposits	1,612,296,975	-	20,297,980
Reserve and other Accounts	3,903,086,031	+	447,901,597
	5,668,163,136	+	419,257,354
ASSETS			
Government Securities	1,233,952,132	+	164,250,000
Advance and other Accounts	3,978,404,606	+	252,358,953
Premises Equipment & other Secs	442,921,695	+	115,053
Notes	12,659,727	+	2,535,792
Coin	224,976	-	2,444
	5,668,163,136	+	419,257,354
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	17,077,340,273	+	247,464,208
Notes in Banking Department	12,659,727	+	2,535,792
	17,090,000,000	+	250,000,000
ASSETS			
Government Debt	11,015,100		
Other Government Securities	8,610,373,338	+	758,762,356
Other Securities	8,468,611,562	-	508,762,356
	17,090,000,000	+	250,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Wimbledon & Sth West	7
Citibank NA	6	●Leopold Joseph & Sons	6	Yorkshire Bank	6
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 4.30 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the three previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ф Bargains done the previous day.

British Funds, etc

No. of bargains included 2027

Treasury 13¾% Stk 2000/03 - £130¼ 130⁹⁄₁₆

Exchequer 10½% Stk 2005 - £116⅝

Guaranteed Export Finance Corp PLC 12¾% Gtd Ln Stk 2002(Reg) - £126.3875 ⅞ (2Je93)

Corporation and County Stocks

No. of bargains included nil

London County 2½% Cons Stk 1920(or after) - £26¼ф

UK Public Boards

Foreign Stocks, Bonds, etc-(coupons payable in London)

Sterling Issues by Overseas Borrowers

Listed Companies(excluding Investment Trusts)

Tarmac Finance (Jersey) Ld9½% Cnv Cap Bds 2006 (Reg £1000) - £100 1 (2Je93)
9½% Cnv Cap Bds 2006(Br £5000&50000) - £98½ (28My93)

Tate&Lyle IntFin PLC/Tate&Lyle PLC5¾% T&LItFnGdBds 2001(Br) W/WtsT&LPLC - £87½ (2Je93)

Tesco PLC10¾% Bds 2002 (Br £Var) - £107¾ 8½ .55

Tesco Capital Ld9% Cnv Cap Bds 2005(Reg £1) - £122 2 ¼ ½ ¾
9% Cnv Cap Bds 2005(Br£5000&10000) - £118¾

Thames Water PLC9½% CnvSubordBds 2006(Br£5000&50000) - £131

THORN EMI Capital NV5¾% Gtd Red Cnv Prf 2004 (Br£5000) - £129¾ (28My93)

Investment Trusts

USM Appendix

Rule 535(2)

Guernsey Gas Light Co Ld Ord 10p - £0.52

Guernsey Press Co Ld Ord 10p - £1¾ 1.55 (1Je93)

Jersey Electricity Co3½% Cum Non Ptg Prf £1 - £0.28

Jersey New Waterworks Co Ld 5% Cum 3rd Prf £5 - £2
2% Cum 4th Prf £5 - £0.8

Schroder European Bond - £7.306704 (1Je93)

Scotia Holdings PLC Ord 10p - £7.6

Sefton Hotel Ld Ord £1 - £4.1 (2Je93)

Select Industries PLC Ord 2½p - £0.08
New Ord 7½p(2½p Regd) - £0.02375ф 0.025ф 0.0275ф

Select Resources PLC Ord 1p - £0.14 0.15024 0.150242

Severn Valley Railway(Hldgs)PLC Ord £1 - £0.8 (1Je93)

Southern Newspapers PLC Ord £1 - £3 3.02 3.05 3.1

Sun Oil Britain Ld Oil Royalty Stk Units 1p - £0.65

Tiaghur PLC Ord 5p - £0.08 0.12 (2Je93)

Tracker Network PLC Ord £1 - £3.65

T V-am PLC Ord 5p - £0.1 (2Je93)

Weetabix Ld "A" Non.V Ord 25p - £12.4

RULE 535 (4) (a)

Bargains marked in securities where principle market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

City Developments S$4.8 (31.5)
Community Psychiatric Centers $9.23 (2.6)
Cons. Resources A$0.31 (1.6)
Dainippon Screen Manufacturing Y813.29 (1.6)
Elec & Eltek Co HK$0.78 (1.6)
Idaho Power Co $29.44 (1.6)
Lawter International $9.375 (1.6)
Leighton Hldgs A$1.88
Mount Martin Gold Mines A$0.605
National Electronics (Hldgs) 5.5
Oil Search 32.0
Playmates Hldgs HK$2.856 (1.6)
Portman Mining A$1.73
Regal Hotels (Hldgs) HK$1.30 (1.6)
Storer Communications S$318.0 (2.6)
United Overseas Land S$1.6841 (2.6)

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FT-SE ACTUARIES INDICES

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LONDON STOCK EXCHANGE

Further losses as equity account ends

By Terry Byland,
UK Stock Market Editor

DISCLOSURE overnight of a significant move in the insurance industry failed to excite the UK stock market for long yesterday. Trading volume remained disappointing and shares were sold down steadily in the second half of the session as the two week trading account in equities closed.

The final reading showed the FT-SE Index down 22.9 at 2,829.9, effectively the low of the day. The Index ended 10.8 down on the week, after steady selling over the last two sessions brought the market back from the 2,868 area touched on Wednesday. The market remained 17.7 Footsie points up over the two week equity account but has been chastened by the absence to date of any downward move in interest rates, either in Germany or in the UK.

Account Dealing Dates		
*First Dealings:		
May 24	Jun 7	Jun 21
Option Declarations:		
Jun 3	Jun 17	Jul 1
Last Dealings:		
Jun 4	Jun 18	Jul 2
Account Day:		
Jun 14	Jun 28	Jul 12

*New time dealings may take place from 8.30am two business days earlier.

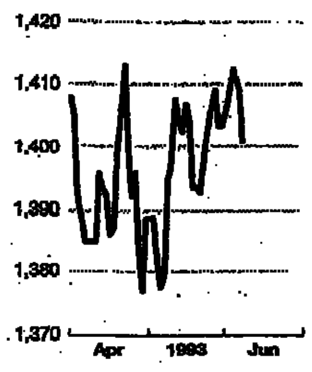
The FT-SE Mid 250 Index also fell yesterday, closing 8.5 off at 3,175.1. The Mid 250 Index has outperformed the blue chips, gaining 10.7 points this week and 9.7 points over the two week account.

Much of yesterday's activity was driven by the stock index futures sector where the June contract on the Footsie fell to a discount against the cash market in the second half of the session. But dealers said that both equities and index futures were sluggish.

London was depressed at the close when Wall Street opened worth a loss of 8 Dow points in early trade in spite of favourable news on US employment levels.

Seaq volume increased to 625.6m shares from Thursday's 568.2m, swollen by intra-market business as the big securities houses balanced positions for the new account which effectively opened last night.

FT-A All-Share index



Non-Seaq business, at 62 per cent of the day's total, returned to average levels.

Retail, or customer, business was worth £1.31bn on Thursday, confirming that genuine investment activity has returned to satisfactory levels after a brief setback at the beginning of the week.

The strongest features in the market yesterday were the composite insurance stocks, after the news that Transatlantic Holdings, a financial services group owned by French and South African interests, has become one of the largest shareholders in Sun Alliance, with a 3 per cent-plus stake.

US sources sold pharmaceutical stocks again at the close of the London market; Zeneca and Glaxo gave ground, while ICI, now purely a US chemical company, continued to move ahead.

Insurance move questioned

THE REVELATION that Transatlantic Holdings, the insurance group owned jointly by Liberty Life of South Africa and UAP, the French insurance group, had increased its holding in Sun Alliance, the composite insurer, to 3.01 per cent, triggered a surge of speculative buying in Sun Alliance.

The speculators piled into Sun stock after Mr Donald Gordon, chairman of Transatlantic, described the holding as a "strategic stake", triggering rumours in the market that this could presage a full takeover bid. Sun Alliance leapt 15 to 350p after heavy turnover of 5m shares.

Insurance sector specialists, however, were not wholly convinced that the Transatlantic move was quite so decisive. One leading analyst said that investment groups often declare big stakes in possible targets, without necessarily intending to seek a full-scale takeover. He believed Sun Alliance was not at risk of a takeover, adding that a take-out price for Sun would be between £3.2bn and £3.8bn and "Transatlantic just does not have the funds. And UAP has its own problems with Group Victoire." Another analyst said the rise in Sun Alliance shares, as well as big gains in other composites, was a reflection of the sector's underperformance in the last month.

Other composite insurers followed Sun Alliance higher with dealers adopting the view that even without the bid speculation surrounding Sun Alliance the sector had been oversold during the recent past. Two were among the FT-SE 100's 10 worst performers over the past month, with Royal Insurance down 8.4 per cent and Guardian Royal Exchange down 6.7 per cent.

Commercial Union rose 12 to 588p, on 1.5m traded, General Accident were 11 firmer at 582p and Guardians added 3 to 178p. Royal Insurance put on 4 to 289p with the nil-paid rights 5 better at 34p.

Vodafone pauses

A week of exceptionally heavy turnover and strong gains in Vodafone shares culminated in the stock price easing back despite news that US investors have been increasing their holdings in the shares during recent weeks.

Vodafone shares, the FT-SE 100's best performer last month with a 17.3 per cent rise, reached a year's high in midweek, but dipped 1½ to 454½p yesterday.

The company, which announced highly encouraging new subscriber numbers for its cellular telephone businesses this week, is scheduled to report preliminary results next Tuesday, with top analysts forecasting pre-tax profits of as much as £325m, compared with last year's £271.8m. And dealers are looking for a near 20 per cent increase in the dividend total to around 7p.

The main source of the heavy buying interest of recent weeks became evident yesterday when it was announced that US investors now speak for over 18.5 per cent of Vodafone stock, equal to 186.5m shares, up some 2 per cent on the last declared US holding.

The 24-hour strike at British Airways (BA) by cabin crew and ground staff and a new threat of a pilots' strike weakened sentiment in the UK flag carrier. The shares shed 1½ to 296p, in light trading of 2m shares. One analyst warned: "Industrial action or the threat of it will make premium passengers think again about travelling on BA, which will affect the yield."

However most of the day's activity in the stock was in the nil-paid shares in which Charterhouse Tilney, the stock broker, crossed a block of 8.5m at 45p. This raised the day's total volume in the nil-paid to 19m, ahead of next Friday's renunciation date for the £441m rights issue.

Takeover speculation in Evered Bardon built up strongly as the session wore on with turnover expanding rapidly to reach 7.8m, with several blocks of around 1m shares traded around the 57p-58p mark.

Dealers said there was no evidence that the day's biggest trades represented corporate stake-building, but one said: "It now seems obvious that the company is up for sale." The shares closed 3 higher at 58p, equalling the year's high-point and valuing the group at just short of £200m.

Among property stocks, British Land ended an active week by continuing to be in demand. The shares added 6 to 324p. The same sentiment boosted Conrad Ritblat which firmed 4 to 46p. The rights issue from Burford was well received by the market and the shares firmed 1½ to 75½p.

Talk of a bid by Airtours for Hogg Robinson continued to circulate though analysts dismissed suggestions that Airtours would bid for the whole group. They instead suggested Airtours might go for Hogg Robinson's chain of more than 200 travel agencies and – following its failure to win the battle for Owners Abroad earlier this year – such a move was likely to be agreed. Hogg Robinson put on 14 to 204p, while Airtours firmed 5 to 306p. Owners Abroad eased 2 to 94p.

The recent strength in the property sector helped leisure and property group Ladbroke firm 3 to 186p in trade of 4.7m.

Strong two-way business in Guinness led to above-average volume of 4.7m. The shares eased a penny to 468p.

Shares in Dunhill Holdings, the luxury goods company, dived 44 to 335p, after it issued a profits warning. The company, which revealed a decline in profits for the year to March 1993 to £70.7 (£76m), said it would be unable to sustain the current level of profits unless there were a big improvement in its major markets. Rothmans, which owns a 57 per cent stake in Dunhill, gave up 9 to 610p.

Hopes of an improved offer for Securiguard from its predator Rentokil continued to boost the former and it added 4 to 302p, while the latter followed the market lower to end 8 lighter at 181p.

Solid investment demand for FR Group sent the shares ahead 9 to 270p in trade of 3.4m. A clutch of profit downgrading from several brokers weakened Glynwed International and the shares lost 5 to 294p. Favourable results earlier in the week continued to power VSEL Consortium and the shares gained another 8 to 803p. An uninspiring presentation in the city earlier this week continued to dog TI Group and the shares fell 6 to 325p. NatWest Securities was said to have been negative on GKN where the shares lost 6 to 468p.

In foods, Northern Foods continued in the doldrums following a negative note from NatWest Markets earlier in the week and the shares lost another 7 to 245p.

MARKET REPORTERS:
Joel Kibazo.
Steve Thompson.

■ Other statistics, Page 13.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
[illegible]			
British Land†	748	324	+6
British Steel†	9,300	102	-½
Bunzl	880	126	-2
Burmah Castrol†	874	700	-4
Burton	2,500	61½	-2
Cable & Wire.†	1,400	731	-22
Cadbury Schweppes†	1,300	446	-1
Calor Group	129	236	-1
Carlton Comms.†	697	769	+5
Coats Viyella†	1,000	228	-4
Comm. Union†	1,500	588	+12
Cookson	1,300	201	-1
Courtaulds†	1,300	535½	+5½
Dalgety	285	424	-2
[illegible]			
Inchcape†	1,800	581	-10
Johnson Matthey	397	448	-3
Kingfisher†	3,500	586	
Kwik Save†	335	761	-4
Ladbroke†	4,700	186	+3
Land Securities†	941	675	+1
Laporte	260	616	-1
Legal & General†	854	455	-6
Lloyds Abbey	465	418	+1
Lloyds Bank†	3,800	549	+2
LASMO†	3,800	157	-8
London Elect.	1,500	454	-8
Lonrho	3,000	116½	
Lucas	1,500	134	+1
[illegible]			
Rolls Royce	2,400	140	-1
Rothmans†	546	610	-9
Ryl Bk Scotland†	3,800	387	+1
Royal Insurance†	3,700	289	+4
Saatchi	865	165	
Sainsbury†	1,600	485	-4
Scottish & New.†	1,000	440	-4
Scot. Hydro-Elect.†	171	331	-4
Scottish Power†	2,500	312	-6
Sears†	4,500	98	-2
Sedgwick	911	175	+1
Seeboard	275	503	-3
Severn Trent Water†	1,000	494	-3
Shell Transport†	2,400	603	-2
[illegible]			
Utd. Newspapers	847	585	-4
Vodafone†	8,500	454½	-1½
Warburg (SG)	461	735	-4
Wellcome†	2,200	760	+8
Welsh Water	250	556	-4
Wessex Water	64	567	-2
Whitbread 'A'†	1,200	482	-6
Williams Hldgs.†	1,200	306	-4
Wills Corroon	167	199	
Wimpey	869	179	-1
Wolseley	241	632	+1
Yorkshire Elect.	16	506	-10
Yorkshire Water	711	505	-3
Zeneca†	5,000	621	-5

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent.

FINANCIAL TIMES EQUITY INDICES

	June 4	June 3	June 2	June 1	May 28	Year ago	* High	* Low
Ordinary share	2213.1	2225.4	2230.2	2211.7	2205.0	2077.4	2299.5	2124.7
Ord. div. yield	4.17	4.14	4.13	4.17	4.24	4.46	4.52	4.07
Earning yld % full	5.30	5.27	5.26	5.31	6.15	6.52	6.38	5.26
P/E ratio net	23.79	23.95	24.00	23.77	19.90	19.19	24.00	19.40
P/E ratio nil	22.19	22.34	22.38	22.17	18.65	17.80	22.38	18.14
Gold Mines	192.2	187.4	182.5	200.6	198.4	104.9	202.7	60.0

*for 1993. Ordinary share index since compilation: high 2299.5 10/3/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2223.7	2225.8	2230.4	2226.0	2225.4	2221.7	2220.5	2215.5	2216.5	2231.3	2212.8

Volume	June 4	June 3	June 2	June 1	May 28	Year ago
SEAQ Bargains	32,399	29,263	29,217	26,889	28,548	24,699
Equity Turnover(£m)†	-	1310.7	1165.6	841.0	1112.5	1178.5
Equity Bargains†	-	35,785	33,638	32,497	34,396	27,135
Shares traded (ml)†	-	531.0	450.9	365.2	523.4	452.8

† Excluding intra-market business and overseas turnover.

London report and latest Share index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

FT-A INDICES LEADERS AND LAGGARDS

Percentage changes since December 31 1992 based on Friday June 4 1993

Gold Mines Index	+	300.78	Motors	+	6.47
Property	+	38.84	Transport	+	6.18
Merchant Banks	+	35.40	Textiles	+	5.70
Engineering-Aerospace	+	32.82	Insurance Brokers	+	3.88
Metals & Metal Forming	+	31.68	Business Services	+	3.77
Contracting, Construction	+	30.26	FT-A All-Share	+	2.68
Building Materials	+	23.13	Insurance (Composite)	+	2.49
FT-SE SmallCap ex Inv Tst	+	20.16	Other Industrials	+	2.42
FT-SE SmallCap	+	19.22	Telephone Networks	+	2.21
Banks	+	18.96	Conglomerates	+	2.20
Financial Group	+	16.65	Other Groups	+	2.05
Electricals	+	14.48	FT-SE-A 350	+	1.79
Electronics	+	14.20	Hotels & Leisure	+	0.20
Capital Goods	+	13.03	"500" Share Index	+	0.17
Insurance (Life)	+	11.57	Water		0.00
FT-SE Mid 250	+	10.90	FT-SE 100	-	0.58
Investment Trusts	+	10.71	Industrial Group	-	0.86
Engineering-General	+	9.45	Stores	-	2.87
Oil & Gas	+	9.24	Food Manufacturing	-	3.74
Packaging, Paper & Printing	+	8.68	Consumer Group	-	7.78
Electricity	+	8.24	Food Retailing	-	8.39
Media	+	7.90	Brewers & Distillers	-	13.12
Chemicals	+	7.79	Health & Household	-	18.60

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (133).
AMERICANS (2) Chrysler, Lowe's, BANKS (10) Allied Irish, Dai Ichi, Fuji, Mitsubishi, Mitsubishi T & B, Mitsui, Sumitomo, Tokai, Toyo, Yasuda, BLDG MATLS (6) CRH, Johnston, Manders, RMC, Rugby, Travis Perkins, BUSINESS SERVS (1) Securiguard, CHEMS (1) ICI, CONGLOMERATES (1) Trafalgar Hse., CONTG & CONSTRCN (1) Higgs & Hill, ELECTRICALS (7) Ericsson, Fujitsu, Motorola, NEC, Pifco, Do A, TDK, ELECTRONICS (3) Alphameric, Control Tech., Koda, ENG AERO (1) Brit. Aerospace, ENG GEN (6) Dobson Park, Hill & Smith, Richardson Westgarth, Rotork, Syltone, VSEL, FOOD MANUF (2) Carr's Milling, Golden Vale, FOOD RETAILING (2) Brake Bros., Greggs, HEALTH & HSEHOLD (1) Quality Home Care, HOTELS & LEIS (2) Ex Lands, Zetters, INSCE BROKERS (1) Archer (A.J), INSCE COMPOSITE (1) FAI, INV TRUSTS (20) Anglo & O'seas, Berry Starquest, Brazilian Tst., Brit. Empire Secs., Drayton Korea, Dunedin Worldwide, Finsbury, Do A, Japan OTC Wts., Multitrust, New Zealand Inv., Nth. Amer. Gas Wts., Overseas Inv. Wts., Pilot Inv., River & Merc. Smllr. Co., Rolinco, Do Sub Shrs., Sth. America Fd., TR Property, Turkey Tst., MEDIA (6) Central ITV, More O'Ferrall, Osprey Comms., Pearson, Telegraph, Ulster TV, MTL & MTL FORMING (1) Castings, MISC (10) Airsprung Furniture, Channing, Gt. Southern, Headlam, Holders Tech., LGW, Le Creuset, Nu-Swift, Spandex, Spear (JW), MOTORS (3) First Tech., Lex Service, Quicks, OIL & GAS (2) Chevron, Ranger, OTHER FINCL (3) Cater Allen, Daiwa, St James Pl., OTHER INDLS (1) Expamet, PACKG, PAPER & PRINTG (2) Intl. Comm. & Data, Macfarlane (C), PROP (15) Allied Lon. 5¼pc Pf., Bilton, Clarke Nickolls & Coombs, Conrad Ritblat SG, Daejan, Derwent Valley, Dwyer, Frogmore Ests., Helical Bar, Lon. Merchant Secs., Do 7¼pc Cv. '00-05, Prop. Partnership, Scottish Metropn., Smith (J), St Modwen, STORES (3) French Cnctn., Rossbys, World of Leather, TEXTS (4) Atkins, French (T), Lamont, Victoria Carpets, TRANSPORT (5) Clarkson (H), IoM Steam, LOF's, Sea Cntrs., Wah Kwong, PLANTATIONS (1) Rowe Evans, MINES (9).

NEW LOWS (28).
BRITISH FUNDS (2) Treas. 12¼pc '93, Treas. 13¾pc '93, BREWERS (2) Bass, Matthew Clark, BUSINESS SERVS (4) Hays, Holmes Protn., Rentokil, Sherwood Cmptr., CHEMS (2) Allied Colloids, Elysu, CONTG & CONSTRCN (1) McLaughlin & Harvey, ELECTRICALS (1) Electrolux, ELECTRONICS (1) Pacer Sys., ENG GEN (1) Simon Eng., FOOD MANUF (1) Finlay (J), INV TRUSTS (4) Fmg. Geared Inc. 6.3pc Pfg., I & S Optimum, London Amer. Ventures Wts., Mexico Fd., MEDIA (1) Blenheim, MISC (3) Gestetner, Hornby, Pentland, OTHER INDLS (3) Pacific Dunlop, Williams 5¾pc Pf., Do 8p Pf., PACKG, PAPER & PRINTG (1) Smurfit (J), WATER (1) Yorks.

EQUITY FUTURES AND OPTIONS TRADING

STOCK INDEX futures and share options were in negative form yesterday and helped to undermine the equity market itself. However, business in derivatives was mostly left to the locals, or independent traders.

Traded options featured a large trade in Amstrad, the consumer electronics company. In futures, the June contract on the FT-SE Index came in for selling as the market repositioned itself for the new equity trading account which will take in the expiry of the June contract.

Locals tried to take the contract higher at first but soon found no buyers were around, a factor which dominated derivatives throughout the session. The June contract then fell to a discount of around 7 points to cash, with Fair Value at 5.

By the close, the contract was virtually in line with the cash market, considered by traders to be a realistic rating as it moves towards expiry.

Total contracts in traded options increased from 24,467 to 28,691 with Amstrad (6,422) the active feature.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	112.7410	+0.073	7.67	7.57	7.68
BELGIUM		9.000	03/03	110.9000	-0.100	7.39	7.36	7.40
CANADA *		7.250	06/03	97.5000	-0.650	7.61	7.52	7.48
DENMARK		8.000	05/03	103.5000	-	7.49	7.52	7.55
FRANCE	BTAN	8.000	05/98	105.3086	-0.045	6.69	6.70	6.64
	OAT	8.500	04/03	108.5100	-0.010	7.26	7.22	7.12
GERMANY		6.75	04/03	98.8450	-0.280	6.91	6.86	6.73
ITALY		11.500	03/03	97.5600	+0.040	12.28†	12.40	12.72
JAPAN	No 119	4.800	06/99	101.8361	+0.289	4.41	4.48	4.34
	No 145	5.500	03/02	105.7984	+0.029	4.57	4.58	4.33
NETHERLANDS		7.000	02/03	101.7400	-0.240	6.74	6.70	6.66
SPAIN		10.300	06/02	98.2946	+0.060	10.96	10.95	11.58
UK GILTS		7.250	03/98	100-22	-3/32	7.07	7.14	7.09
		8.000	06/03	99-22	-7/32	8.04	8.10	8.04
		9.000	10/08	104-28	-6/32	8.42	8.50	8.41
US TREASURY *		6.250	02/03	100-29	-20/32	6.12	6.11	6.08
		7.125	02/23	102-18	-17/32	6.92	6.93	6.80
ECU (French Govt)		8.000	04/03	102.9500	-0.225	7.56	7.51	7.57

London closing. *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. *Technical Data/ATLAS Price Sources*

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2829.9 −22.9	3175.1 −8.5	1400.30 −9.02

Index	Jun 4	Day's chge %	Jun 3	Jun 2	Jun 1	Year ago	Earnings yield %	Dividend yield %	P/E ratio	Xd adj ytd	1993 High	1993 Low	Since Compilation High	Since Compilation Low
[illegible]														

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	High/day	Low/day
FT-SE 100	2851.0	2850.3	2854.5	2848.0	2845.4	2840.5	2839.9	2834.5	2831.4	2829.9	2854.6	2829.8
FT-SE Mid 250	3182.2	3180.2	3179.0	3178.4	3179.1	3177.9	3175.9	3173.4	3175.1	3175.1	3182.3	3173.1
FT-SE-A 350	1422.6	1421.9	1423.4	1420.6	1419.9	1417.8	1417.4	1415.1	1414.1	1413.5	1423.4	1413.4

FT-SE Actuaries 350 Industry Baskets

											Prev close	change
Constrcn	1876.3	1878.7	1878.1	1877.6	1877.5	1874.6	1872.4	1872.4	1874.1	1874.1	1875.1	-1.0
Health&H	1057.3	1059.8	1061.5	1060.6	1058.9	1058.7	1059.1	1055.7	1048.5	1048.7	1058.1	-9.4
Water	1359.7	1358.4	1358.6	1354.8	1355.2	1352.9	1353.2	1352.8	1350.3	1353.0	1364.0	-11.7
Banks	1713.6	1710.3	1712.1	1709.0	1709.1	1709.0	1708.9	1705.0	1703.3	1704.3	1714.9	-10.6

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
FT-SE SmallCap	31/12/92	1363.79	Engineering - General	29/12/80	486.00	Other Financial	31/12/70	128.06
FT-SE SmallCap ex Inv Trust	31/12/92	1363.79	Water	29/12/80	1028.45	Food Manufacturing	29/12/67	114.13
FT-SE Mid 250	31/12/85	1412.60	Conglomerates	31/12/88	1114.07	Food Retailing	29/12/67	114.13
FT-SE-A 350	31/12/85	682.94	Telephone Networks	30/11/84	517.92	Insurance Brokers	29/12/67	96.67
FT-SE 100	31/12/83	1000.00	Electronics	30/12/83	1646.65	All Other	10/4/62	100.00
Business Services	31/12/90	999.65	Other Industrial Materials	31/12/80	287.41	British Government	31/12/75	100.00
Electricity	31/12/90	999.85	Health/Household Products	30/12/77	261.77	Do. Index-linked	30/4/82	100.00
Media	31/12/90	1226.68	Other Groups	31/12/74	63.75	Debs & Loans	31/12/77	100.00
Engineering - Aerospace	31/12/89	486.00	Industrial Group	31/12/70	128.20			

† Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index and the FT-SE SmallCap Index are compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries. [illegible] CONSTITUENT CHANGES: DELETION: [illegible]

RISES AND FALLS YESTERDAY

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	8	41	30	190	60	66
Other Fixed Interest	2	4	9	9	7	44
Commercial, Industrial	198	397	807	1,100	1,108	3,393
Financial & Property	162	112	526	671	369	2,157
Oil & Gas	16	19	49	78	67	191
Plantations	1	0	7	3	4	25
Mines	53	23	63	157	160	242
Others	59	43	23	221	157	126
Totals	499	639	1,514	2,429	1,932	6,246

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Prices for trading on 05.06.93		Final Prices for Trading on 03.06.93	
[illegible]			

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Unit Trust Managers Limited (1000)F						
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783						
AIB Grofund American	5	152.7	154.2	162.3	-0.30	0.00
AIB Grofund Equity	5	203.6	206.4	218.5	-0.40	1.02
AIB Grofund Euro	5	163.3	165.0	173.7	+0.30	0.43
AIB Grofund Ext Balanced	3	100.8	102.5	105.7	—	2.74
AIB Grofund Gilt	3	77.30	77.32	79.71	+0.06	5.07
AIB Grofund Japan	5	175.8	178.4	187.8	+1.00	0.00
AXA Equity & Law Unit Tst Mngrs (1200)H						
Equity & Law Hse, Corpn St, Coventry 0203 553231						
General Inc	5	421.4	423.0	450.1	-0.9	2.42
General Acc	5	462.3	464.7	493.8	-1.0	2.42

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Brown Shipley & Co Ltd (1000)F						
9-17 Perrymount Rd Haywards Hth 0444 412282						
Mngd P'folio Inc	6	94.07	94.07	100.2	-0.10	1.98
Mngd P'folio Acc	6	177.8	177.8	189.3	-0.30	—
UK General	6	152.7	152.7xd	163.4	+1.10	2.97
European Inc	6	22.01	22.01	23.70	+0.02	0.48
European Acc	6	22.74	22.74	24.48	+0.02	—
Financial	6	125.6	125.6	133.7	+1.40	3.13
Foundation	6	75.94	77.78	82.82	+0.14	3.22
German	6	40.17	40.17	43.65	+0.37	0.09
Growth Inc †(5-1)	5	27.71	27.71xd	29.50	-0.09	2.98
Growth Acc †(5-1)	5	32.28	32.28	34.38	-0.03	—
High Income	6	70.00	70.00xd	75.25	+0.06	6.66
Income	6	124.2	126.2xd	136.1	+0.30	4.07
Intl Income	6	93.74	93.74	99.83	+0.53	4.60
Intl Growth ♣	6	33.18	33.18	36.31	+0.08	0.22
Monthly Income	6	70.68	72.71	77.44	+0.12	4.13
North American	6	102.0	102.0	108.7	+0.50	0.20
Orient ♣	6	129.9	129.9xd	138.9	+1.10	—
Recovery	6	40.58	42.18xd	45.34	+0.08	2.47
Smaller Cos Acc	6	281.1	295.0	319.7	+0.40	—
Smaller Cos Inc	6	163.5	171.6xd	183.6	+0.20	1.18

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Discretionary Unit Fund Mngrs (1000)F						
66 Wilson Street, London EC2A 2BL 071-377 8819						
Disc Inc Jun 4	5	184.2	184.2xd	172.9	—	3.62
Do Accum Jun 4	5	370.2	370.2xd	393.7	—	3.62
Dunedin Unit Tst Mngrs Ltd (1200)H						
25, Rutland Terrace, Edinburgh 031-315 2500						
European Gwth	5	204.5	204.5	218.1	-0.1	1.12
New Asia	5	151.6	151.6	162.9	-0.7	0.61
Japan Growth	5	129.0	129.0	137.5	-0.2	0.00
Jap Smllr Co	5	494.8	494.8xd	528.5	+1.9	0.00
Nth Amer ♥	5	213.5	213.5	228.3	+1.5	1.14
Exempt	5	121.4	121.4	127.4	-0.2	3.28
UK Income & Growth	5	189.0	189.0	201.9	-0.7	4.10
Eagle Star Unit Mngrs Ltd (1000)F						
Bath Road, Cheltenham GL53 7LQ 0242 577 555						
UK Balanced Inc	6	122.9	124.7xd	132.7	—	2.53
UK Balanced Acc	6	144.9	147.2xd	156.8	+0.10	2.53
UK Growth Acc	6	202.3	205.0xd	219.0	-0.30	2.20
UK High Inc Inc	6	128.1	130.1xd	138.4	-0.30	6.86

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gartmore Fund Managers - Contd.						
International Funds						
Frontier Markets	5¼	40.53	40.53	43.45	-0.13	0.39
Global Inc & Gth	5¼	117.02	117.02	124.96	+0.03	1.81
Gold & Intl Res	5¼	83.32	83.67xd	89.73	+0.51	0.65
UK & International	5¼	112.34	112.34	120.15	+0.10	0.25
Overseas Funds						
American	5¼	128.05	128.05xd	134.52	+0.24	0.51
European	5¼	81.17	81.17	86.11	+0.27	0.62
Euro Sel Opps	5¼	94.95	94.95	101.35	+0.35	0.89
American Emerging	5¼	78.55	78.55	84.24	+0.25	0.00
Hong Kong	5¼	113.44	114.45	122.79	+1.68	1.89
Japan	5¼	235.94	235.94	250.67	+0.96	0.00
Pacific Growth	5¼	165.16	165.50xd	168.76	+0.12	0.39
Gartmore Pension Strategy Funds						
Managed Equity	0	172.72	175.97	175.97	-0.32	1.81
Long Term Bal	0	191.62	194.67	194.67	-0.29	2.22
Med Term Bal	0	187.28	189.42	189.42	-0.22	2.76
Cashbuild	0	—	—	—	—	—
UK Equity	0	184.82	187.45xd	187.45	-0.67	2.49
UK Emerging Co's	0	120.98	120.98xd	120.98	-0.80	2.38

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Smith & Williamson Unit Tst Mgrs (1600)F
1 Riding House St, London W1A 3AS. 071-637 5377

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
S & W American	5	280.6	280.6	273.5	+0.7	0.72
S & W Capital	5	117.5	117.5	128.0	-0.2	1.70
S & W Cash	0	100.92	100.92	100.92	+0.01	5.35
S & W European	5	112.1	112.1	118.6	-0.3	1.31
S & W Far Eastern	5	147.4	149.0	157.7	+0.1	0.00
S & W Growth	5	128.1	127.6	135.2	-0.6	1.27
S & W Income	5	112.2	113.4	119.9	-0.3	4.62
S & W Magnum	5	124.0	124.0	131.0	-0.3	1.59
S & W Smlr Secs	5	316.3	322.7	340.9	-0.9	0.50
S & W Thoroughbred	5	143.4	143.4	153.9	-0.2	1.50

For Societe Generale Touche Remnant see Henderson

Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth 0202 298422

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Cash	1	49.72	49.72	50.22	—	5.3
Celtic Prisma	5½	55.67	56.00	59.73	+0.04	7.9
Ethical	5½	52.95	53.26	56.65	-0.15	3.9
European Growth	5½	56.39	56.75	60.54	+0.03	3.1
Income	5½	51.64	52.06	55.55	+0.01	6.7
Intl Growth	5½	78.81	79.29	84.57	+0.53	2.0
Managed	5½	69.41	70.11	74.78	+0.07	3.6
UK Growth	5½	55.84	56.41	60.17	+0.05	4.4

Standard Life Tst Mgmt Ltd (0730)H
3 George St, Edinburgh EH2 2XZ 0800 393777

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INSURANCES

OTHER UK UNIT TRUSTS

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Bid Price	Offer Price	+ or -	Yield Gross
Providence Capital Life Assc. Co Ltd - Contd.				
Alpha Pension Funds				
UK Alpha		220.8	-7.5	-
US Alpha		119.9	-0.1	-
Gilt Alpha		85.2	+0.1	-
Gold Alpha		87.3	+1.7	-
Japan Alpha		48.6	-0.2	-
US Dollar Alpha		73.5	-	-
Yen Alpha		79.9	+0.4	-
DM Alpha		80.9	-	-
European Alpha		85.8	-0.1	-
Provident Life Assoc Ltd				
Provident Way, Basingstoke RG21 2SZ 0256 470707				
Gold Range (Pensions)				
Discretionary Fund		157.4	-0.1	-
Provident Mutual Life Assc. Assn.				
6 Hills Way Stevenage Herts SG1 2ST 0438 732000				
Managed Ord	415.0	437.0	-0.1	-
Managed Ind	294.3	309.8	-0.1	-
Equity Ord	621.4	654.1	-0.4	-
Equity Ind	440.0	463.2	-0.4	-
Index Linked Gilt Ord	191.8	204.0	-	-
Index Linked Gilt Ind	143.4	150.9	+0.1	-
Overseas Equity Ord	336.0	352.6	-0.1	-
Overseas Equity Ind	237.2	249.7	-0.1	-
Property Ord	226.3	238.2	-	-
Property Ind	160.3	168.7	-	-
Fixed Interest Ord	258.2	271.8	+0.3	-
Fixed Interest Ind	182.9	192.5	+0.3	-
Deposit Ord	198.4	208.7	-	-
Deposit Ind	139.1	146.4	-	-
Pension Funds				
Managed Ord	547.9	576.7	-0.2	-
Managed Ind	388.0	408.4	-0.1	-
Equity Ord	846.5	891.1	-0.7	-
Equity Ind	599.4	630.9	-0.7	-
Pen Ind Lkd Gilt Ord	220.6	232.2	-	-
Pen Ind Lkd Gilt Ind	163.2	171.8	+0.1	-
Overseas Equity Ord	389.1	409.6	-0.1	-
Overseas Equity Ind	275.5	290.0	-0.1	-
Property Ord	288.6	303.8	-	-
Property Ind	204.4	215.2	-	-
Fixed Interest Ord	335.7	353.4	+0.6	-
Fixed Interest Ind	237.7	250.2	+0.4	-
Deposit Ord	287.3	302.4	-	-
Deposit Ind	203.4	214.1	-	-

	Bid Price	Offer Price	+ or -	Yield Gross
Scottish Amicable				
150 St Vincent St, Glasgow 041-248 2323				
Life Funds (First Series)				
Managed	402.9	424.2	-1.40	-
Equity	502.4	528.9	-3.20	-
Property	239.4	252.0	-	-
International	401.0	422.2	+0.80	-
Japanese	117.8	124.1	-0.10	-
Asia Pacific	138.7	146.0	+1.20	-
European	107.6	113.3	-0.30	-
American	142.1	149.6	+1.10	-
Fixed Interest	332.4	349.9	-1.20	-
Index-Linked Gilt	185.4	195.2	-	-
Cash	219.8	231.4	+0.10	-
Life Funds (Second Series)				
Managed	112.1	118.1	-0.40	-
Equity	108.0	113.7	-0.70	-
Property	100.6	105.9	-	-
International	123.9	130.5	+0.30	-
Japanese	118.0	124.3	-0.20	-
Asia Pacific	136.0	143.2	+1.20	-
European	106.6	112.3	-0.30	-
American	138.8	146.2	+1.10	-
Fixed Interest	125.0	131.6	-0.40	-
Index-Linked Gilt	118.6	124.9	-	-
Cash	109.0	114.8	-	-
Pension Funds				
Building Society	173.1	182.3	+0.10	-
Managed (Init)	233.6	245.8	-1.20	-
Managed (Acc)	461.6	486.2	-2.10	-
Equity (Init)	261.6	275.4	-2.40	-
Equity (Acc)	517.5	544.8	-4.40	-
Property (Init)	142.7	150.3	-0.10	-
Property (Acc)	282.4	297.3	-	-
International (Init)	238.3	250.9	+0.60	-
International (Acc)	471.3	496.2	+1.40	-
Fixed Interest (Init)	222.8	234.6	-0.90	-
Fixed Interest (Acc)	440.8	464.1	-1.50	-
Cash (Init)	154.0	162.2	-	-
Cash (Acc)	304.7	320.8	+0.10	-
Others				
Capital Guarantee Bond	98.8	103.8	-0.60	-
Scottish Equitable Life Assce. Soc.				
28 St Andrew Sq, Edinburgh 031-556 9101				
Mixed	224.8	236.4	-0.4	-
UK Equity	213.6	224.9	-1.5	-
International	227.4	239.4	+0.3	-
American	234.6	247.0	+0.9	-

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Init Chrge	Canc Price	Bid Price	Offer Price	+or -	Yield Gr's
Hill Samuel Fund Mgrs - Contd.						
International Currency Fund						
Sterling Managed	3½		32.58	33.73	+0.08	–
US Dollar Managed	3½		31.25	32.38	+0.01	–
Sterling	0		29.45	29.45	+0.01	4.82
US Dollar	0		40.05	40.05	–	1.75
Deutschmark	0		89.81	89.81	+0.01	6.52
Japanese Yen	0		5142	5142	+2	1.87
Swiss Franc	0		82.45	82.45	+0.01	3.59
Irish Punts	0		25.43	25.43	–	6.42
Lloyds Bank (CI) U/T Mgrs.						
PO Box 195, St Helier, Jersey 0534 284242						
Lloyds Tst. Gilt	3½		10.210	10.870		7.37
Dealing daily						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 606000						
Prudential Fund Managers (Jersey) Ltd						
PO Box 103, St Helier, Jersey 0534 73000						
Income (A & B)	5		211.1	221.8	–0.1	3.34
Growth (C & D)	5		311.3	328.6	–0.1	5
Royal Trust Jsy Fd Mngt Ltd (1400)F						
Bond Secs Fd	4		55.47	57.75	+0.01	8.66
Standard Bank Fund Mngmt (Jersey) Ltd						
TSB Trust Funds (CI)						
PO Box 538, St Helier, Jersey 0534 503002						

	Init Chrge	Canc Price	Bid Price	Offer Price	+or -	Yield Gr's
Bank Von Ernst & Cie AG						
Marktgasse 63/65, 3001 Berne, Switzerland 31224051						
Von Ernst Global Portfolio						
Equity Sub-Funds						
UK Equity		£–	12.25	–	–0.05	–
UK Smaller Co's Eqty		£–	14.32	–	–0.03	–
Nth American Equity		$–	10.65	–	–0.02	–
US Smaller Co's Eqty		$–	10.38	–	–0.05	–
Pacific Basin Equity		$–	11.94	–	–0.06	–
Japanese Equity		Y–	638	–	+7	–
European Equity		DM–	9.17	–	+0.02	–
Banque Scandinave a Luxembourg SA						
16 Boulevard Royal, L-2449, Luxembourg						

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

US MARKETS (3:15 pm)

CANADA (3:15 pm)

JAPAN

INDICES

NEW YORK

DOW JONES	June 3	June 2	June 1	May 28	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3544.87	3553.45	3552.34	3527.43	3554.83 (27/5)	3241.95 (20/1)	3554.83 (27/5/93)	41.22 (2/7/32)
Home Bonds	107.52	107.37	107.26	107.03	107.67 (7/5)	103.49 (11/1)	501.97 (27/4/93)	54.99 (1/10/81)
Transport	1577.44	1604.33	1602.85	1579.12	1683.08 (16/4)	1453.84 (4/1)	1683.08 (16/4/93)	12.32 (8/7/32)
Utilities	241.88	241.74	240.38	238.38	247.88 (16/4)	217.14 (8/1)	247.88 (16/4/93)	10.50 (8/4/32)

DJ Indl. Day's High 3589.50 (3578.14) Low 3516.08 (3530.47) (Theoretical♦)
Day's High 3553.45 (3561.75) Low 3531.86 (3543.76) (Actual♦)

STANDARD AND POOR'S	June 3	June 2	June 1	May 28	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	452.49	453.85	453.83	450.19	456.33 (10/3)	429.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials¶	523.01	524.71	524.68	520.84	524.99 (10/3)	486.48 (26/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	43.11	43.27	43.32	42.99	46.67 (13/4)	38.89 (8/1)	46.67 (13/4/93)	8.64 (1/10/74)
NYSE Composite	249.59	250.27	250.28	248.60	251.36 (10/3)	236.21 (8/1)	251.36 (10/3/93)	4.46 (25/4/42)
Amex Mkt. Value	440.91	439.97	438.60	438.22	440.91 (3/6)	395.84 (8/1)	440.91 (3/6/93)	29.31 (9/12/72)
NASDAQ Composite	708.22	705.86	704.26	700.53	708.85 (4/2)	645.87 (26/4)	708.85 (4/2/93)	54.87 (31/10/72)

	May 28	May 21	May 14	year ago (approx.)
Dow Industrial Div. Yield	2.90	2.94	2.97	2.99
	Jun 2	May 26	May 19	year ago (approx.)
S & P Industrial div. yield	2.46	2.46	2.49	2.65
S & P Indl. P/E ratio	25.90	25.88	26.80	28.77

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Hanson	44,881,400	18	-⅛
Allstate	38,301,500	29½	—
LTV Corp	(n)	⅔	+⅙
Telefonos	6,931,400	46¼	-1½
Wal-Mart Strs	3,437,700	27½	-⅞
Bally	3,420,700	10⅜	+¼
Ford Motor	3,110,600	55⅞	+2⅛
Chrysler	2,999,500	46¼	+⅞
Factory St	2,870,800	24½	—
IBM	2,822,500	53⅞	—

TRADING ACTIVITY

† Volume (Millions)	Jun 3	June 2	June 1
New York SE	272.683	287.783	223.231
Amex	19.505	23.017	15.383
NASDAQ	280.076	274.320	235.752
NYSE			
Issues Traded	2,524	2,524	2,834
Rises	882	999	1,234
Falls	982	891	694
Unchanged	680	634	806
New Highs	99	133	134
New Lows	19	24	18

CANADA

TORONTO	June 3	June 2	June 1	May 31	1993 HIGH	1993 LOW
Metals & Minerals	2899.00	2902.72	2907.15	2952.02	2972.25 (9/2)	2743.31 (21/1)
Composite	3875.00	3869.80	3858.90	3882.70	3882.70 (31/5)	3275.80 (21/1)
MONTREAL Portfolio	1901.36	1897.18	1897.65	1908.57	1918.71 (28/5)	1720.87 (21/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

	June 4	June 3	June 2	June 1	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1741.0	1741.0	1741.8	1733.8	1760.40 (28/5)	1495.00 (13/1)
All Mining (1/1/80)	773.4	768.0	772.4	761.9	801.90 (28/5)	584.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	336.86	333.75	331.81	328.91	357.78 (9/3)	300.28 (14/1)
Traded Index (2/1/91)	815.77	805.63	800.03	793.94	880.17 (9/3)	712.08 (15/1)
BELGIUM						
BEL20 (1/1/91)	1184.32	1187.97	1182.86	1192.79	1269.11 (7/4)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	294.85	294.83	298.11	298.56	305.06 (14/5)	261.90 (4/1)
FINLAND						
HEX General (28/12/90)	1165.0	1170.2	1155.0	1168.9	1248.20 (21/5)	843.18 (22/1)
FRANCE						
CAC General (31/12/81)	512.56	512.82	513.51	513.08	547.37 (30/3)	471.24 (13/1)
CAC 40 (31/12/87)	1859.69	1867.92	1875.84	1872.80	2035.91 (30/3)	1772.21 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	643.13	639.14	637.89	637.71	675.70 (10/3)	588.92 (14/1)
Commerzbank (1/12/53)	1824.00	1812.2	1807.1	1807.3	1908.10 (10/3)	1694.30 (14/1)
DAX (30/12/87)	1637.85	1629.62	1625.21	1619.88	1717.49 (11/3)	1516.50 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	7157.49	7155.29	7322.23	7375.81	7447.24 (27/5)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1570.31	1556.16	1553.34	1553.89	1591.74 (16/4)	1191.19 (11/1)
ITALY						
Banca Com. Ital. (1972)	531.42	538.19	541.80	545.21	558.17 (20/5)	448.33 (6/1)
MIB General (4/1/93)	1174.0	1189.0	1197.0	1204.0	1236.00 (20/5)	992.00 (11/1)
JAPAN						
Nikkei (16/5/49)	20882.24	21076.08	20881.78	20591.41	21076.00 (3/6)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1671.70	1678.13	1645.46	1637.25	1678.13 (3/6)	1250.06 (25/1)
2nd Section (4/1/68)	2383.79	2380.26	2365.54	2359.28	2383.70 (4/6)	1851.72 (26/1)
MALAYSIA						
KLSE Composite (4/4/86)	732.15	735.06	741.27	740.06	741.27 (2/6)	614.28 (13/1)
NETHERLANDS						
CBS Tt.Rtn.Gen.(End 1983)	330.6	330.6	330.5	329.5	335.60 (27/5)	295.70 (4/1)
CBS All Shr (End 1983)	217.1	217.1	217.1	216.4	223.50 (19/4)	198.60 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	793.13	796.44	794.81	791.65	827.94 (6/5)	699.93 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	1587.29	1581.15	1572.56	1580.28	1654.39 (5/5)	1270.68 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	464.68	462.33	467.91	(c)	468.48 (31/5)	384.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1758.0¶	1761.0	1899.0	1858.0	1883.09 (24/5)	775.00 (8/1)
JSE Industrial (28/9/78)	4535.0¶	4514.0	4504.0	4523.0	4645.09 (10/2)	4333.09 (19/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	780.15	783.15	758.81	751.97	783.15 (3/6)	685.83 (8/3)
SPAIN						
Madrid SE (30/12/85)	261.24	259.95	259.59	258.56	262.58 (27/5)	215.80 (4/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1088.25	1091.3	1088.9	1082.5	1098.20 (27/5)	879.10 (28/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	1013.5	1006.3	1001.6	998.9	1013.50 (4/6)	904.80 (11/1)
SBC General (1/4/87)	780.1	773.7	770.1	768.4	780.10 (4/6)	678.70 (11/1)
TAIWAN**						
Weighted Price (30/6/66)	4391.50	4342.73	4302.24	4316.43	5013.28 (7/4)	3088.43 (8/1)
THAILAND						
Bangkok SET (30/4/75)	(c)	832.08	828.90	818.84	938.44 (25/1)	818.84 (1/6)
WORLD						
M.S. Capital Intl.(1/1/70) $	572.8*	578.3	573.9	574.6	576.30 (4/6)	488.60 (13/1)
Euro Top-100 (26/6/90)	988.37	971.72	970.01	971.20	979.86 (27/5)	882.73 (13/1)

**Saturday May 29: Taiwan Weighted Price: 4,295.37, Korea Comp Ex. 738.75.
¶ Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 20 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable

WORLD STOCK MARKETS

AMERICA

Dow eases as inflation fears hit sentiment

Wall Street

US equities staged an unconvincing sell-off yesterday morning in a market which seemed torn between satisfaction over unexpectedly strong employment figures for May and concern about the prospect of inflation, *writes Karen Zagor in New York.*

At 12.30 pm, the Dow Jones Industrial Average was off 6.92 at 3,537.95. The more broadly based Standard & Poor's 500 was 2.68 lower at 449.81, while the Amex composite was up 0.17 at 441.08, and the Nasdaq composite off 3.48 at 702.74.

Trading volume on the NYSE was more than 126m shares by 12.30 pm, as declines outnumbered rises by 1,124 to 606.

The minor erosion in prices contrasted with a sharp decline in longer-dated bonds, when the Treasury's benchmark 30-year issue tumbled 3/32 to 102 [illegible], yielding 6.919 per cent.

Treasury prices were hit by the morning's release of employment figures for May: non-farm payrolls rose by 209,000 in the month, above the widely-expected rise of some 125,000.

In addition, the April figure was revised up to 216,000 from an initially reported gain of 119,000 and the unemployment rate eased to 6.9 per cent from 7 per cent.

The figures led to speculation that the Federal Reserve might tighten monetary policy.

For equities, the prospect of an improved economy helped moderate the impact of inflation fears.

Allstate Insurance dominated trading for a second day. The initial public offering of 78.5m shares in the company, which were priced at $27 a share on Wednesday night, was the biggest IPO ever by a US company. At midsession, the shares were quoted at $28⅞, down $⅛.

Car issues went against the downward trend, boosted by the positive employment figures, with General Motors adding $⅝ to $41⅜ and Chrysler $⅛ higher at $46⅛.

Federal Express recovered $⅝ to $46¼ after plunging $4⅜ a day earlier on reports that the broker, Donaldson Lufkin & Jenrette, had reduced its investment rating on the stock to "moderately attractive" following recent resignations.

Shares in Wal-Mart, the discount retail group, edged $⅛ lower to $26⅞ in active trading in the wake of Thursday's release of uninspiring sales figures for May. The stock has traded in a range of $25⅞ to $34 in the last year.

The speciality fashion retailer, Merry-Go-Round, dropped $⅞ to $10⅞ after Dean Witter cut its rating on the stock from "buy" to "neutral" on disappointing earnings.

In the Nasdaq market, MCI Communications slipped $¼ to $54⅞, Sun Microsystems eased $⅛ to $32⅛, Apple Computer lost $1 to $55⅞, Intel fell $⅞ to $113⅜ and Lotus Development was unchanged at $34.

Canada

TORONTO rose in brisk midday dealings, lifted by firmer financial services and precious metals issues. The TSE-300 composite index climbed 9.90 to 3884.91, in turnover of 45.95m shares valued at C$450.16m.

The gold and silver index was 43.57 higher at 8,406.63. In financials, Bank of Commerce rose C$⅝ to C$30⅞ in heavy trade after Thursday's second quarter results.

SOUTH AFRICA

MANY investors chose to reduce their exposure to gold before the weekend, although the index managed a modest 5 point gain to 1,756, 5 per cent lower on the week. Industrials improved 23 to 4,537 and the overall put on 16 to 3,958.

Paris marks time ahead of privatisation sales

Alice Rawsthorn assesses the mood of the French market after a spate of gloomy company reports

For the next few weeks no-one, but no-one, will be watching the Paris stock market more closely than the new French government. Judging by the market's recent performance, the results will scarcely be scintilating.

The government, desperate to raise capital to bring down the burgeoning budget deficit, is eager to start its long-awaited privatisation programme which could include the sale of as many as 21 state-controlled companies over the next two years.

But the timing and scale of the sales will be determined by the condition of the Paris market. So far the signs are far from reassuring. The CAC-40 index, which was virtually static last year, has shown no sign of rallying in 1993. It ended the week at 1,859, barely above its 1,858 close at the end of 1992, and 1.5 per cent lower on the week.

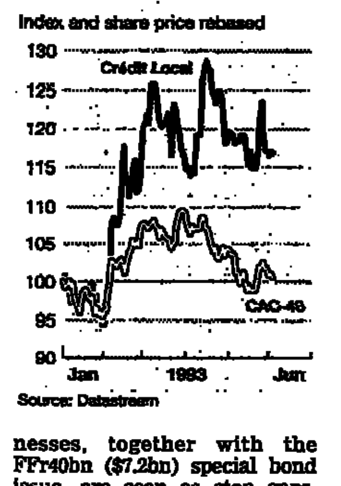
The primary reason for the market's sluggishness is the stream of pessimistic statements from French companies over the past month or so.

For instance, Michelin, the world's largest tyre maker, announced it was implementing more lay-offs and short-time working.

The car company Renault, a candidate for privatisation, warned of a sharp fall in first quarter profits, saying that it saw no prospect of early recovery. Elf-Aquitaine, another privatisation target, has also predicted a decline in interim operating profits.

French companies had a tough time in 1992, when the problems of weak domestic demand were aggravated in the closing months of the year by the impact of the strong franc on exports. These difficulties have continued in the opening months of 1993 as France has slipped into recession. Meanwhile, the deterioration of the German economy casts a cloud over the prospects for exports to its largest trading partner.

The recovery plan, launched last month by Mr Edouard Balladur, the new prime minister, has been well-received by the public. But the financial support for the flagging construction industry and small businesses, together with the FFr40bn ($7.2bn) special bond issue, are seen as stop gaps. They should, according to Mr Paul O'Brien, economist at JP Morgan, "put more stimulus into the budget, but not enough to pull France out of recession".



Source: Datastream

There are some positive signs. Some French companies, particularly luxury goods and drinks groups, should benefit from the fledgling recovery in the US. The French franc is still strong, but it has been much more stable since the Balladur government's arrival in late March.

The new administration has orchestrated steady reductions in interest rates – with bank base rates falling from 10 per cent to 8.8 per cent since the elections – thereby alleviating the pressure on corporate borrowing and small companies.

So far the rate reductions have had no tangible effect on consumer demand or industrial investment. The only signs of improvement are in the financial sector. Paribas, the prominent investment banking group, announced last week that the pressure on its lending margins had been alleviated, and highlighted signs of modest recovery in residential property.

"Eventually the reductions in interest rates will have a positive effect," says Mr Michael Diehl of James Capel in Paris.

"We're now at a half-way stage where we're still waiting for evidence of recovery and French companies are still coming out with really gloomy news. As a result there's a certain amount of lethargy in the market."

The critical question is when will the market's mood change or, more specifically, when will it be in a suitable condition to absorb a stream of privatisation issues?

At present the market is weak, but not disastrously so. There was enough enthusiasm among investors this week for Hermès, the luxury goods group, to stage a successful flotation on the second market. The issue, which raised FFr127.5m by selling 4 per cent of Hermès, was 33 times over-subscribed.

The strong response to Hermès augurs well for next week's flotation of Naf Naf, the clothing company. However Hermès and Naf Naf are both relatively small issues.

The real test for the market will be the forthcoming sale by the government of a stake of between FFr4bn and FFr5bn in Crédit Local de France, the banking group, which will mark the start of the privatisation drive.

The Crédit Local sale, which follows the sale two years ago of a minority stake under the old Socialist partial privatisation programme, is scheduled before the end of this month. The market's response will be critical in influencing the timetable for the other state asset sales, expected to start in early autumn.

Most analysts expect the market to continue in its present sleepy state through the summer; but the consensus is that it should at least have started to rally by early autumn. One reason is that, traditionally, the CAC-40 index is strongest in the final quarter of the year. Another is that, by then, lower interest rates should have had a beneficial effect on the economy.

"The market is fairly well underpinned," says Mr Diehl of James Capel. "It isn't overvalued and there's no serious risk of it tumbling down.

"The triggers for recovery will be the rising US dollar and falling French interest rates. They *should* have had an effect by the autumn, just in time for the government's privatisation plans to get off the ground."

EUROPE

Frankfurt active in automotive and retail sectors

THERE were mixed performances among bourses yesterday, *writes Our Markets Staff.*

FRANKFURT produced notable gains in the automotive and retail sectors as the DAX index rose 8.23 to 1,637.85, up 0.4 per cent on the week.

Turnover rose from DM4.3bn to DM5.1bn. Among carmakers, Daimler rose DM7.80 to DM562 and Volkswagen, ex a DM2 dividend, by a net DM7.20 to DM324.70; in retailing, Douglas put on DM7 to DM491 and Karstadt DM12 to DM530.

The industrial background has not been encouraging in either case. Orders for German carmakers released yesterday were down 14.1 per cent by volume in April; and on Wednesday, the Ifo economics research institute said that west German retail sales would drop by a real 3 per cent, and a nominal 1 per cent this year, due to recession.

VW has been making encouraging noises about the second half of this year, which may imply more recent knowledge of events. Karstadt, in share price terms, has been falling behind Kaufhof which on Thursday produced a 6.2 per cent sales rise for the first five months of this year.

In financials, AMB produced one of the biggest gains of the day, DM45 to DM930; Mr Stephen Dias of Goldman Sachs said that yesterday's results had reminded the market that AMB had sold a large, troublesome stake in BfG Bank over the past year; the size of the gain, he said, probably reflected lack of liquidity in the stock.

MILAN was unsettled by a 4 per cent fall in Montedison, triggered by the announcement that Mr Sergio Cragnotti, a former managing director, had decided not to return to the group to help with the restructuring programme.

The shares fixed down L46 at L1,132, before easing further to L1,118 on the kerb. Ferruzzi, the holding group, lost L50 or 4.7 per cent to L1,016. The Comit index eased back as a consequence, closing off 6.77 at 531.42, for a fall of 1.5 per cent on the week.

Fiat continued to lose support with a report that Italian May car sales had fallen by 28 per cent against the same period last year. The shares dipped L59 to L5,590, a drop of 4.6 per cent over the week.

Profit-taking in the telecommunications groups, Stet and Sip, saw the shares slip L54 and L37 respectively to L2,023 and L3,195.

FT-SE Actuaries Share Indices

June 4 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1160.62	1160.18	1160.67	1159.69	1158.50	1160.93	1158.77	1159.95
FT-SE Eurotrack 200	1218.79	1217.52	1217.07	1216.50	1214.25	1216.63	1213.76	1214.21

	Jun 3	Jun 2	June 1	May 28	May 27
FT-SE Eurotrack 100	1160.81	1155.78	1153.22	1161.58	1165.01
FT-SE Eurotrack 200	1217.28	1215.58	1215.43	1224.85	1231.31

Base value 1000 (26/10/90) High/day: 100 - 1163.45; 200 - 1220.71 Low/day: 100 - 1151.54 200 - 1207.94.

ZURICH closed at a new record high, the SMI index rising 15.4 to 2,284.3 for a 0.6 per cent gain on the week. Relatively good earnings performances and the strength of the dollar were advanced as reasons for the improvement.

SMH surged SFr150 to SFr2,160 on the watchmaker's announcement that it expects another significant improvement in 1993 earnings, following a 64 per cent climb in group profits in 1992.

MADRID's general index nosed past the 260 level, 1.29 higher at 261.24 and 1 per cent up on the week, hopeful that the weekend's general elections would be followed by a quick cut in interest rates.

STOCKHOLM, satisfied with the Volvo/Procordia announcement on Thursday, nevertheless fell back on scattered profit-taking. The Affärsvärlden general index slipped 2.10 to 1,089.20, barely changed on the week, in turnover of SKr1.3bn.

The B shares in Volvo and Procordia moved forward by SKr10 and SKr4 respectively to SKr416 and SKr197.

Ericsson was also prominent, rising to an all time high, up SKr3 to SKr329 in the B's, with foreign investors continuing to be attracted by its strength in the European telecoms sector.

AMSTERDAM was flat on the day, the CBS Tendency index ending at 104.7, a slight loss on the week. KLM lost nearly all of Thursday's gains, down 80 cents at Fl 25.50.

VIENNA followed this week's break through the 800 mark with the ATX index up 10.14 at 815.77, 2.3 per cent better on the week. Traders said the gains were partly generated by the OeTOB futures and options exchange.

ASIA PACIFIC

Nikkei average declines on profit-taking

Tokyo

POSITION adjustment ahead of the weekend, institutional profit-taking and arbitrage selling weighed on the market. The Nikkei average fell below the 21,000 level, *writes Emiko Terazono in Tokyo.*

The Nikkei closed down 193.76 at 20,882.24, barely changed on the week, after arbitrage buying had pushed it to a day's high of 21,222.77 in the morning session. But late profit-taking and index-linked selling depressed prices to a low of 20,841.68.

Volume totaled 564m shares against 609m. Losers led gainers by 565 to 471 with 155 unchanged. The Topix index of all first section stocks fell for the first time in four trading days, losing 4.43 to 1,671.70; in London, the ISE/Nikkei 50 index rose 3.64 to 1271.21.

Traders noted light buying of steel issues by foreign investors. Nippon Steel, the day's most active issue, rose Y5 to Y411, while NKK gained Y2 to Y340. Tokyo Steel rose Y180 to Y2,840 on reports of a rise in steel bar prices.

Electrical issues, which gained prominence recently on buying by US pension funds, lost ground on profit-taking: Fujitsu fell Y15 to Y796 and NEC lost Y20 to Y1,040.

Ricoh rose for the fourth consecutive day, gaining Y20 to Y821, a new high for the year. Investors were encouraged by the company's development of a digital copy and facsimile machine which can also be connected to personal computers.

Reports that some industrialists were in favour of redenominating the yen to boost the economy, helped printing companies and paper and pulp makers. Sakata Inx, a printing ink manufacturer, advanced Y48 to Y798 and Tokai Pulp rose Y20 to Y740.

In Osaka, the OSE average fell 2.99 to 23,372.23 in volume of 33.3m shares.

Roundup

ACTIVITY was generally muted among the region's markets yesterday.

HONG KONG found no support from the talks between Britain and China on the new airport, which ended inconclusively. However, the Hang Seng index recovered from early losses late in the session to close up 2.20 at 7,157.49, down 3.2 per cent on the week.

Turnover declined to HK$4.65bn compared with Thursday's HK$5.15bn.

Among the actives Cheung Kong rose 20 cents to HK$27.50 while its affiliate Hutchison, the day's most active stock, saw shares worth HK$226.4m traded, but closed unchanged at HK$20.90. HSBC Holdings fell 50 cents to HK$72.00.

TAIWAN was supported by activity in newly listed stocks as the weighted index rose 48.77 to 4,391.50, a week's gain of 0.8 per cent. Turnover climbed to T$24.3bn from Thursday's T$16.8bn.

Plastic, construction and electrical sectors were the biggest gainers on the day.

Among newly listed stocks BES Engineering rose by the daily permissible limit of almost 7 per cent, up T$3.00 at T$50.50.

SEOUL eased on profit-taking, the composite index shedding 3.0 to 760.15, a 3.1 per cent rise on the week, in turnover of Won1,130bn.

There was some selling of car groups, with Ssangyong Motor off Won400 at Won15,500 and Asia Motors down Won500 at Won16,800.

SINGAPORE ended 1.8 per cent lower on the week, the Straits Times Industrial closing 1.40 higher at 1,870.88.

AUSTRALIA's golds stood out in an otherwise flat market, the sub-index rising 28.6 to 1,866.3 as the All Ordinaries closed unchanged at 1,741.0, 1.1 per cent lower on the week.

NEW ZEALAND's NZSE-40 index advanced to its highest level in almost three years at 1,656.53, up 7.02 on the day but only 0.4 per cent on the week.

BOMBAY rose sharply in new account trade. In trading restricted to one hour by an impending lunar eclipse, the BSE index rose 83.24 to 2,336.62, up 7.9 per cent on the week.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY JUNE 3 1993								WEDNESDAY JUNE 2 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (68)	135.76	+0.0	130.74	92.21	112.97	132.65	-0.2	3.77	135.81	130.67	92.42	112.80	132.92	144.19	117.39	153.12
Austria (18)	145.32	+0.0	139.95	98.70	120.92	120.99	+0.4	1.63	145.33	139.82	98.89	120.70	120.54	150.96	131.16	173.36
Belgium (42)	144.43	-0.1	139.09	98.09	120.18	117.19	+0.2	4.84	144.61	139.13	98.39	120.10	116.97	156.76	131.19	143.13
Canada (108)	127.69	-0.1	122.97	86.72	106.24	117.84	+0.1	2.80	127.84	122.99	86.99	106.17	117.70	129.97	111.41	128.14
Denmark (33)	214.35	-1.0	206.43	145.59	178.36	178.64	-0.8	1.26	216.43	208.22	147.27	179.75	180.00	225.64	185.11	238.27
Finland (23)	95.21	+1.0	91.69	64.67	79.22	108.30	+0.6	1.13	94.24	90.66	64.13	78.27	107.64	100.92	65.50	77.72
France (98)	155.44	-0.7	149.69	105.57	129.33	131.55	-0.5	3.41	156.46	150.53	106.46	129.94	132.17	167.36	142.72	164.24
Germany (62)	111.96	+0.0	107.84	76.06	93.17	93.17	+0.2	2.28	111.94	107.70	76.18	92.97	92.97	117.10	101.59	123.79
Hong Kong (55)	290.03	-2.4	279.31	196.99	241.35	287.63	-2.4	3.25	297.28	286.01	202.29	246.91	294.78	301.61	218.82	253.94
Ireland (15)	163.53	+0.3	157.49	111.07	136.08	151.30	+0.5	3.50	163.12	156.94	111.00	135.48	150.57	170.40	129.28	157.85
Italy (73)	70.38	-0.2	67.78	47.80	58.56	76.74	-0.2	2.28	70.50	67.83	47.97	58.55	76.90	72.82	53.78	72.14
Japan (470)	154.20	+2.2	148.50	104.73	128.33	104.73	+2.0	0.79	150.87	145.16	102.66	125.32	102.66	154.20	100.75	104.19
Malaysia (69)	342.19	-1.3	329.54	232.41	284.73	336.65	-1.3	2.01	346.83	333.69	236.00	288.05	341.16	346.83	251.66	235.39
Mexico (18)	1480.45	-0.4	1425.73	1005.54	1231.89	5046.98	-0.5	1.34	1485.66	1429.35	1010.85	1233.90	5070.40	1725.81	1410.30	1689.46
Netherland (24)	168.05	-0.2	161.83	114.14	139.83	137.75	+0.1	4.02	168.33	161.95	114.54	139.80	137.63	172.75	150.39	162.55
New Zealand (13)	49.38	+0.5	47.56	33.54	41.09	48.35	+0.6	4.59	49.15	47.29	33.45	40.82	48.08	49.82	40.56	47.35
Norway (22)	158.95	-0.5	153.08	107.96	132.27	146.39	-0.2	1.80	159.67	153.62	108.66	132.62	146.62	166.21	137.71	186.49
Singapore (38)	260.14	-1.0	250.52	176.69	216.45	192.34	-0.8	1.79	262.72	252.76	178.77	218.19	193.89	262.72	207.04	225.21
South Africa (60)	196.42	+2.2	189.16	133.41	163.44	197.59	+1.4	2.54	192.18	184.90	130.77	159.61	194.91	201.01	144.72	248.39
Spain (46)	130.44	+0.3	125.62	88.60	108.54	123.32	+0.1	4.83	130.11	125.18	88.54	108.06	123.21	132.82	115.23	158.37
Sweden (36)	182.75	+2.3	175.99	124.13	152.07	194.72	+2.4	1.73	178.62	171.85	121.55	148.35	190.12	184.06	149.70	197.64
Switzerland (55)	128.34	+0.2	123.60	87.18	106.81	113.86	+0.5	1.91	128.12	123.27	87.19	106.42	113.07	129.36	108.91	107.34
United Kingdom (219)	178.44	-0.4	171.84	121.18	148.46	171.84	-0.3	4.04	179.18	172.39	121.92	148.80	172.39	181.99	162.00	196.85
USA (519)	185.04	-0.3	178.20	125.69	153.98	185.04	-0.3	2.78	185.56	178.53	126.27	154.12	185.56	186.27	175.38	168.48
Europe (766)	146.54	-0.2	141.12	99.53	121.94	132.84	+0.0	3.35	146.80	141.24	99.90	121.93	132.99	149.02	133.92	155.39
Nordic (114)	169.13	+1.2	162.87	114.87	140.73	159.27	+1.3	1.57	167.08	160.75	113.70	138.77	157.21	171.77	142.13	181.72
Pacific Basin (713)	157.42	+1.8	151.60	106.92	130.99	111.14	+1.6	1.06	154.64	148.76	105.23	128.44	109.36	157.42	105.89	110.74
Euro-Pacific (1479)	152.84	+1.0	147.19	103.80	127.17	120.85	+1.0	1.96	151.31	145.58	102.95	125.66	119.69	152.84	117.26	128.82
North America (627)	181.47	-0.3	174.76	123.27	151.03	180.47	-0.3	2.77	181.97	175.07	123.84	151.16	180.95	182.38	171.51	165.95
Europe Ex. UK (547)	126.76	+0.0	122.08	86.12	105.50	111.08	+0.2	2.87	126.78	121.98	86.29	105.32	110.91	128.65	112.51	130.70
Pacific Ex. Japan (243)	189.58	-1.3	182.57	128.78	157.76	174.57	-1.3	3.14	192.09	184.81	130.73	159.55	176.93	194.08	152.70	175.26
World Ex. US (1665)	153.22	+1.0	147.55	104.07	127.50	122.84	+0.9	1.98	151.72	145.97	103.25	126.01	121.70	153.23	118.51	131.13
World Ex. UK (1965)	161.34	+0.6	155.38	109.59	134.26	139.01	+0.6	2.10	160.38	154.30	109.14	133.22	138.25	161.34	134.22	137.63
World Ex. So. Af. (2124)	162.74	+0.5	156.73	110.55	135.43	141.60	+0.5	2.28	161.85	155.82	110.22	134.52	140.94	162.74	137.29	142.03
World Ex. Japan (1714)	169.45	-0.3	163.19	115.10	141.02	162.43	-0.2	2.97	169.91	163.47	115.63	141.14	162.81	170.05	157.47	164.38
The World Index (2184)	162.88	+0.5	156.84	110.62	135.53	142.08	+0.5	2.28	162.05	155.90	110.27	134.80	141.41	162.86	137.32	142.73

Constituent changes with effect 7/6/93: Nestle (Bearer and P.C.) (Switzerland). Latest prices were unavailable for this edition. Amendments to Indices 2/6/93 applied to Ireland, Malaysia, related regional indices and The World Index.

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
Treas 12½pc 1993‡‡	100[illegible]	-[illegible]	103[illegible]	100[illegible]	12.40	5.60
Funding 6pc 1993‡‡	100	—	100[illegible]	99[illegible]	6.00	6.71
Treas 13¾pc 1993‡‡	103[illegible]	-[illegible]	106[illegible]	103[illegible]	13.26	5.50
8½pc 1994	101[illegible]	—	102[illegible]	101[illegible]	8.35	5.60
14½pc 1994‡‡	106[illegible]	—	109¼	106[illegible]	13.64	6.50
Exch 13½pc 1994	106[illegible]	—	109[illegible]	106¼	12.64	5.46
Treas. 10pc Ln. 1994‡‡	104[illegible]xd	—	105[illegible]	104[illegible]	9.60	5.63
Exch 12½pc 1994	107[illegible]	—	110[illegible]	107[illegible]	11.60	5.74
Treas 9pc 1994‡‡	104[illegible]	+[illegible]	106[illegible]	103[illegible]	8.64	5.91
12pc 1995	109[illegible]	—	111[illegible]	108¾	11.00	6.09
Exch 3pc Gas 90-95	95[illegible]	—	96¼	94	3.14	5.52
10¼pc 1995	107[illegible]	—	109¾	107[illegible]	9.51	6.27
Treas 12¾pc 1995‡‡	114[illegible]	—	116[illegible]	113[illegible]	11.17	6.40
14pc 1996	117[illegible]	—	120[illegible]	117[illegible]	11.92	6.67
15¼pc 1996‡‡	121[illegible]	—	125[illegible]	121[illegible]	12.58	6.80
Exch 13¼pc 1996‡‡	116[illegible]	—	120[illegible]	116½	11.34	6.80
Conversion 10pc 1996	109½	—	111½	108[illegible]	9.13	6.83
Treas 13¼pc 1997‡‡	119[illegible]	—	122[illegible]	118[illegible]	11.10	6.80
Exch 10½pc 1997	111[illegible]	—	113[illegible]	110[illegible]	9.46	7.04
Treas 8¾pc 1997‡‡	106[illegible]	—	108[illegible]	105½	8.25	7.04
Exch 15pc 1997	128[illegible]	—	132[illegible]	127[illegible]	11.70	7.36
9¾pc 1998	109[illegible]	+[illegible]	112[illegible]	109[illegible]	8.90	7.26
Treas 7¼pc 1998‡‡	100[illegible]	—	103¼	98[illegible]	7.20	7.07
7¼pc 1998 A‡‡	100[illegible]	—	101[illegible]	98[illegible]	7.21	7.10
Treas 6¾pc 1995-98‡‡	98¼	—	101	97[illegible]	6.84	7.05
Five to Fifteen Years						
Treas 15½pc '98‡‡	134[illegible]	—	138[illegible]	133[illegible]	11.58	7.55
Exch 12pc 1998	116[illegible]	—	122[illegible]	118[illegible]	10.88	7.64
Treas 9½pc 1999‡‡	109[illegible]	—	112½	108[illegible]	8.71	7.49
Exch 12¼pc 1999	120[illegible]	—	124[illegible]	120[illegible]	10.15	7.74
Treas 10½pc 1999	113[illegible]	—	117[illegible]	112[illegible]	9.24	7.80
Conversion 10¼pc 1999	112[illegible]	—	117[illegible]	112[illegible]	9.08	7.86
9pc 2000‡‡	107[illegible]	—	110[illegible]	106	8.41	7.83
Treas 13pc 2000	126[illegible]	+[illegible]	131	125½	10.28	8.03
10pc 2001	111[illegible]	-[illegible]	115[illegible]	109[illegible]	8.97	7.98
14pc '98-1	125[illegible]	—	129½	125[illegible]	11.14	7.67
9¾pc 2002	110[illegible]	-[illegible]	114[illegible]	108[illegible]	8.83	8.12
8pc 2003‡‡	99[illegible]xd	-[illegible]	103[illegible]	97[illegible]	8.02	8.03

BRITISH FUNDS - Cont.

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
10pc 2003	112⅛	-[illegible]	116[illegible]	109[illegible]	8.92	8.22
Treas 11½pc 2001-4	118[illegible]	-[illegible]	122[illegible]	116[illegible]	9.72	8.26
Funding 3½pc '99-4	78½	-[illegible]	74[illegible]	67[illegible]	4.86	7.46
Conversion 9½pc 2004	108½	-[illegible]	112[illegible]	105[illegible]	8.76	8.33
9½pc 2005	108[illegible]	-[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 12½pc 2003-5	126[illegible]	-[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7¾pc 2006‡‡	90[illegible]	-[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8pc 2002-6‡‡	97[illegible]	-[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 11¾pc 2003-7	120[illegible]	-[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 8½pc 2007‡‡	109[illegible]	-[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8½pc 2007 B‡‡	100[illegible]	-[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
13½pc '04-8	134[illegible]	-[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Over Fifteen Years						
Treas 9pc 2008‡‡	105	-[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8pc 2009	98[illegible]	-[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Conv 9pc Ln 2011‡‡	104[illegible]	-[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9pc 2011 C‡‡	104[illegible]	-[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 9pc 2012‡‡	104[illegible]	-[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 5½pc 2008-12‡‡	73[illegible]	-[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 8pc 2013‡‡	94[illegible]	-[illegible]	97[illegible]	89[illegible]	8.44	8.54
7¾pc 2012-15‡‡	92[illegible]	-[illegible]	97[illegible]	89[illegible]	8.40	8.53
Treas 8¾pc 2017‡‡	101[illegible]	-[illegible]	106[illegible]	97[illegible]	8.60	8.57
Exch 12pc '13-'17	138[illegible]xd	-[illegible]	139[illegible]	125[illegible]	9.20	8.77
Undated						
Consols 4pc	48[illegible]	+[illegible]	48[illegible]	43[illegible]	8.63	-
War Loan 3½pc‡‡	48[illegible]	-[illegible]	42[illegible]	38[illegible]	8.62	-
Conv 3½pc '61 Aft	62[illegible]	+1	63	60[illegible]	5.59	-
Treas 3pc '66 Aft	34[illegible]	—	36[illegible]	33½	8.79	-
Consols 2½pc	30[illegible]	+[illegible]	31[illegible]	28[illegible]	8.13	-
Treas. 2½pc	29[illegible]	+[illegible]	30[illegible]	27[illegible]	8.58	-

BRITISH FUNDS - Cont.

Notes	Price £	+ or -	1993 high	1993 low	Yield (1)	Yield (2)
Index-Linked						
Treas. 2pc '94 (102.9)	134	+[illegible]	134	131[illegible]	-	1.34
2pc '96 (67.9)	198½	-[illegible]	197[illegible]	194[illegible]	2.05	2.83
4⅝pc '98‡‡ (135.6)	108[illegible]	-[illegible]	109[illegible]	105[illegible]	2.42	3.01
[illegible]						

OTHER FIXED INTEREST

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
[illegible]						
African Dev 11¼pc 2010	120[illegible]	-[illegible]	123[illegible]	115[illegible]	9.23	8.75
Asian Dev 10¼pc 2009	113[illegible]	-[illegible]	116[illegible]	108[illegible]	9.04	8.86
B'ham 11½pc 2012	118½	—	123	114	9.70	9.42
Ireland Cap 8½pc '10	105[illegible]	+[illegible]	107½	95	8.04	-
9pc Cap 1996	105[illegible]	+[illegible]	107[illegible]	97½	8.52	-
13pc '97-2	118[illegible]	-[illegible]	120½	110	10.95	-
Hydro Quebec 15pc 2011	144	-[illegible]	148[illegible]	139[illegible]	10.42	9.75
Leeds 13½pc 2006	131¼	—	135¼	128	10.25	9.32
Liverpool 3½pc Irred	36[illegible]	—	37	34	9.66	-
LCC 3pc '20 Aft	32½	—	32¾	30½	9.23	-
Manchester 11½pc 2007	117½	—	120¼	114	9.79	9.31
Met. Wtr. 3pc 'B'	66	—	68	63¼	4.55	8.02
N'wide Anglia 3⅞pc 2021	125¼	—	126[illegible]	117½	-	4.66
4⅝pc IL 2024	122½	—	124½	115½	-	4.58
Utd Mex States 16½pc 2008	135¼	—	138	132¼	12.20	12.02

Continued on next page

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs	17½xd	-⅛	20⅞	15⅞	14,646	2.4
Allegheny & W ♥	617p	—	617p	399p	320.6	3.1
Amdahl	361p	+4	591p	302¾p	408.4	0.9
Amer Cyanamid	34½	+½	38⅝	31¼	3,110	3.0
Amer Express	18⅝xd	+⅛	19½	14⅞	8,983	3.4
Amer T & T	39⅞xd	-⅛	40⅞	33⅛	53,029	2.1
Ameritech	48	+½	52⅛	46	21,016	4.8
BankAmerica	28⅞xd	-⅛	30⅞	27⅞	9,869	3.1
Bankers NY	40⅞xd	-⅛	51⅛	42⅝	3,782	4.2
Bell Atlantic	36	+½	38⅛	32⅛	15,839	4.7
BellSouth	35⅛	+⅛	39⅝	32⅞	17,413	5.0
Bethlehem Steel ♥	12⅛xd	-⅞	13⅛	10	1,097	-
Bowater	1459pxd	+30	1662p	1335p	528.7	1.7
CPC	27½xd	-⅛	34⅝	25	4,165	2.9
Cadiz Land Inc ♥	119p	+1	134p	53p	-	-
California Engy	1358p	—	1479p	1085p	247.2	-
Chase Manhattan	19⅞xd	-⅛	24½	17⅞	3,873	3.9
Chrysler	28⅞xd	+½	28⅞	21¼	8,766	1.3
Citicorp	18¾xd	-⅛	20⅞	13⅛	6,671	-
Colgate-Palm	38⅝xd	-⅛	45⅝	35¼	5,847	2.1
Cont'l Bank	1550p	-9	1877p	1278p	1,508	2.4
Dana	34⅛xd	-⅛	34⅞	28⅞	1,572	3.0
Data General	724p	+7	961p	593p	189.2	-
Decora Inds ♥	131p	+6	146p	109p	-	-
Dun & Brad	39⅛	+⅛	42⅛	37⅛	6,895	4.0
Eaton	59	+1⅛	59⅛	50⅝	2,045	2.3
Echlin	17⅛xd	-⅛	18⅞	15⅛	992.2	2.5
FPL	24⅛xd	-⅛	27⅛	23⅛	4,428	6.4
Ford Motor	35⅛xd	+1⅛	36⅞	28⅞	17,450	1.8
Gen Elect	60⅞xd	-⅛	62⅞	53⅞	51,989	2.6
General Host ♥	590p	+13	723p	566p	-	3.8
Gillette	32⅛xd	-1	42⅝	31½	7,114	1.6
Hasbro	20⅞	—	28⅞	20⅞	1,819	0.7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♦ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ‖ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
p Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment.
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

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FINANCIAL TIMES

Weekend June 5/June 6 1993

Inquiry sought into aid for loss-making Stansted

Luton accuses BAA of predatory airport pricing

By Paul Betts, Aerospace Correspondent

LUTON airport has launched the first full-scale attack on BAA's monopoly of London airports by accusing it of anti-competitive behaviour and abusing its position.

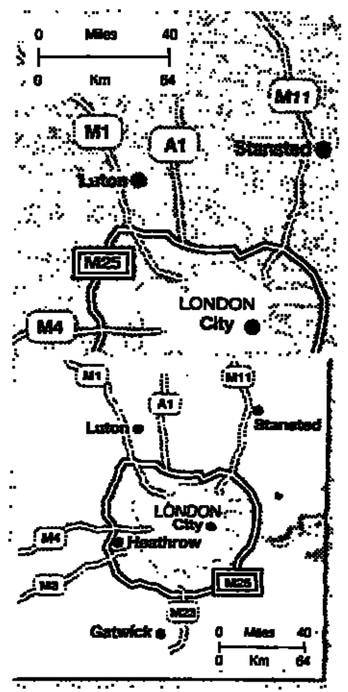
Luton airport, owned by the local authority, filed a formal complaint to the Civil Aviation Authority (CAA) yesterday asking the regulatory agency to investigate what it claims are anti-competitive subsidies and predatory pricing policies by BAA to support its loss-making Stansted airport.

The CAA has a statutory duty to investigate the complaint.

The move could have far-reaching implications for BAA, which is expected to report a sharp rise in pre-tax profits on Monday of between £275m and £285m for its financial year ending March, compared with £192m the previous year.

Luton reported a tiny profit of £10,000 in the financial year ended March.

Opponents of the government's policy argue that there would have been more competition between UK airports, especially in the south-east of England, if BAA had been broken up when it



was privatised. BAA owns Heathrow, Gatwick and Stansted airports and its airport network accounts for 73 per cent of total UK passenger traffic and 84 per cent of air cargo.

In its filing to the CAA, Luton accuses BAA of cross-subsidising Stansted's operations from the profits it makes at Heathrow.

Luton airport, which is only 30 miles away, competes head-on with Stansted, in which BAA has invested about £500m in a new terminal and other facilities. Luton claims Stansted receives up to £75m a year of cross-subsidies from BAA's other profitable operations.

Luton says its business has been depressed by artificially low airport prices at Stansted. Mr Richard Gooding, Luton airport's chief executive, also said Stansted had "raided" his business with predatory pricing.

Ryanair, the Irish carrier, had already moved the bulk of its operations from Luton to Stansted, while airlines wanting to operate new services were being lured to Stansted by artificially low charges, he claimed.

He said Luton had been forced in some cases to reduce charges below cost to keep business from going to Stansted.

Luton, where passenger numbers fell from 2.7m in 1990 to about 2m last year, wants an immediate doubling of Stansted's airport charges and a requirement that the airport should supply services only on published terms and conditions.

SIB may never publish Maxwell report

By Andrew Jack

THE SECURITIES and Investments Board, the City's senior regulator, is unlikely ever to publish the full report of its investigation into the failure of regulation surrounding the Maxwell affair, it disclosed yesterday.

The decision to withhold the highly critical report will make legal action against the regulators difficult and may jeopardise similar action against other individuals and organisations named in the report.

Mr Ken Trench, chairman of the Maxwell Pensions Action Group, said: "This is a cover-up. It shows the weakness of the City system of regulation. How can we have faith in a self-regulatory system when it doesn't tell us what happens when it goes wrong?"

The SIB report covers the relationship between the Investment Management Regulatory Organisation (Imro) and Bishopsgate Investment Management (BIM) and London and Bishopsgate International Investment Management (LBI) – both Imro members – and Maxwell Central and East European Partners, an applicant for membership.

The report was initially commissioned by Imro, but was then included in a report by SIB. Some of its conclusions and recommendations were published last July, but without the substance of its findings.

SIB said yesterday it had decided not to publish the report because it might jeopardise civil and criminal action in connection with the Maxwell affair – in which £440m was stolen from company pension funds – and because its authority to publish documents under the Financial Services Act was limited.

Mr Frank Field, Labour MP for Birkenhead and chairman of the Commons social security select committee, which has been examining the Maxwell affair, said last night: "On every ground this is unsatisfactory."

Invesco case may speed pension deal, Page 6

THE LEX COLUMN

Second division stars

The story of London equities is a tale of two markets. Having watched the FT-SE 100 index first rally and then close down on the week, the overriding impression – in line with the mood in government – is one of drift. Yet the FT-SE 250 hit a new high on Wednesday, continuing its steady progress since sterling's devaluation in September. The excitement generated by Mr George Soros' investment in commercial property certainly contributed to the record. With the exception of the largest, Land Securities, property companies are clustered in the Midcap.

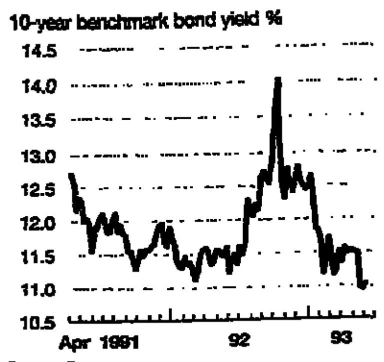
The composition of the FT-SE 100 has equally contributed to its malaise. Pharmaceutical stocks, which account for 10 per cent of the index now Zeneca has been split from ICI, continue to act as a dead weight. The recent poor performance of water companies ahead of next year's regulatory review has also damped spirits. But that is not a full explanation. Having been presented with £7bn by way of rights and new issues this year, institutional cash flow is looking even more stretched. The stream of enhanced scrip dividends has hardly helped in that regard.

With cash flowing into unit trusts at a rate not seen since 1987, not all is gloom. Since equity income and growth funds took the largest portions of April's £955m cash inflow, the higher yielding and recovery stocks of the Midcap might be expected to benefit. With deposit rates so low, private investors' enthusiasm for equities is understandable. But the flagging fortunes of the FT-SE 100 underline that such support is no substitute for an improvement in the fundamentals.

FT-SE Index: 2829.9 (-22.9)

Spain

10-year benchmark bond yield %



Source: Datastream

Dunhill

A 12 per cent fall in Dunhill's share price in response to a 7 per cent slide in annual profits seems a rather extreme reaction. Then again, shareholders presumably take the view that it is hard to reinflate a burst bubble. Dunhill's bleak comments about trading prospects suggest luxury goods companies will find life tough for a long time to come. Deprived of their bonuses, Japanese salarymen are not buying fancy trinkets and the corporate gift market has all but dried up.

Shareholders might expect some protection from sterling's depreciation given that 95 per cent of Dunhill's sales are made overseas. But the company's conservative hedging strategy complicates the sums. Dunhill will also see a declining return on its cash pile, which has shrunk by £60m to £120m, following an acquisition spree.

At least a secure dividend limits the downside. More general worries about luxury brand values may also be overdone. After all, it is difficult to envisage an own label version of Dunhill's fast-selling £900 Lorenzo de Medici Montblanc pen. Yesterday's flotation of 4 per cent of Hermès, which was 33 times over-subscribed, also underscores the amazing faith some investors retain in luxury brands. Should Dunhill's shares fall too far out of fashion, Rothmans International, its 57 per cent shareholder, may simply snap up the rest.

Spain

The peseta has been holding up well in the run-up to tomorrow's election. But that does not mean the markets can be particularly confident about the outcome. The two main parties are neck and neck: neither is likely to be able to form a government without some tough coalition negotiations with the Catalan and Basque national parties. They have been playing their cards close to their chests. Everyone would like lower interest rates. Less certain is how far a new administration will be prepared to sacrifice ERM membership to that end.

The assumption is that Mr Felipe Gonzalez's Socialists would be more determined to defend the parity than the conservative opposition. If he remains prime minister, even he may come under considerable pressure. The official unemployment rate of 22 per cent may over-state the pain, but it is excruciating just the same. Some further exchange rate risk thus remains, especially given the Bank of Spain's limited reserves.

Until the peseta's future becomes clearer, though, bonds are probably a better bet than equities. Not only do they yield some 4 percentage points more than German bunds; the lack of inflationary pressure implicit in Spain's weak money supply should push absolute yields lower even if the peseta left the ERM, as happened in the UK. Bond market returns could thus easily exceed any further depreciation. The equity market by contrast is much more dependent on lower short-term interest rates. That in turn requires a gesture from a reluctant Bundesbank or a radical rethink of exchange rate policy.

UK house prices

The two main house price indexes *may* have been pointing in opposite directions this week, but there is no doubting the upward trend. There are sound reasons for the increase. As house prices have fallen and earnings risen, the market has started to return towards stable valuations. When prices are compared to earnings, houses are now more affordable than at any time since 1985. In addition the cost of servicing the loans is at a 25-year low. Repayments as a percentage of earnings have fallen from 45 per cent in 1989 to 15 per cent now.

Value may underpin the market, but price inflation is unlikely to be rapid. Some 50,000 repossessed houses are currently on the market and another 70,000 may be repossessed this year. That compares with only 140,000 new starts, and will be a drag on a market which will struggle to turn over 1.2m properties in 1993. The market is also gridlocked by a lack of good property on sale, while with the experience of the last three years still fresh, buyers are not even prepared to bid up for prime houses.

Price rises will also be patchy, with negative equity slowing recovery in the south more than elsewhere. The highly priced studio flats and rabbit-hutch conversions which soared at the market's peak market will also languish as first time buyers leapfrog them for better value homes. Smaller family houses which trade between second time buyers may also lag, as potential buyers take time to work through negative equity and rebuild deposits. There is a recovery on the way, but not for everyone.

US fears interest rate rise after big employment gains

By Michael Prowse in Washington

FEARS of higher interest rates rose on Wall Street yesterday after an unexpectedly sharp rise in payroll employment.

The Labour Department said non-farm employment rose by more than 200,000 in both April and May, and revised up figures for job growth for the preceding 12 months. The unemployment rate fell to 6.9 per cent from 7 per cent, the lowest in 18 months.

The figures indicate economic growth is accelerating after a depressed first quarter. If May figures for producer and consumer price inflation, due in the next 10 days, show a continuation of the inflationary pressures recorded in the first four months, the Federal Reserve is likely to tighten monetary policy.

However, if the price figures are subdued, then the Fed is likely to postpone a tightening of policy until the underlying growth and inflation trends become clearer.

If the Fed moves, it will probably raise short-term rates from 3 per cent to 3.25 per cent or 3.5 per cent. Last month, Fed governors and regional presidents are believed to have shifted from a neutral stance on interest rates to a bias towards tightening. This would allow Mr Alan Greenspan, the Fed chairman, to raise rates by up to half a point if needed.

By midday the benchmark long bond was down nearly a full point on fears of higher short-term rates. The dollar rose sharply against most currencies and stood at DM1.62 by noon, a gain of more than 2 pfennigs.

Employment rose 209,000 last month, a bigger gain than most analysts expected. The increase in April was revised up to 216,000 against the 119,000 reported last month. In the year to March the average monthly increase in employment was put at 83,000 rather than 46,000 as reported.

The figures "were very impressive and would dramatically change perceptions of the economy's strength", said Mr Edward Yardeni, chief economist at C J Lawrence, a New York broker. They followed reports this week of a 23 per cent rise in sales of new homes between April and May and a robust gain in domestic car sales last month.

Mr Richard Berner, chief economist at Mellon Bank in Pittsburgh, said the figures pointed to an acceleration of growth to an annual rate of 3 to 3.5 per cent or more in the second half of the year. Inflation, however, was likely to moderate in May, reducing pressure for an immediate tightening of monetary policy.

Currencies, Page 15

Tax pledge by Major

Continued from Page 1

could trigger an autumn challenge to his leadership, Mr Major acknowledged there was no short cut to increased popularity.

Acknowledging that attempts to contain public spending would provide fertile ground for opposition "scare" stories, he insisted that the government would stick to its principles whatever the short-term cost: "We have persistence. What we start out we complete – however tough the prospects may be."

Referring to the forecasts of doom which had preceded last year's general election victory, he added: "It would have been easy to give up then but we didn't. We didn't do it then. We haven't done it since. And we are not going to do it now." He stressed the opportunities offered by sustained economic recovery.

Mr John Smith, the Labour leader, described the speech as the "same tired old dirge – no changes on policy despite the mishandled changes in his government". Mr Paddy Ashdown, the Liberal Democrat leader, said: "He is pursuing policies which are deeply unpopular in the country, with the Tory party desperately – some say terminally – divided."

Contracts time limit

Continued from Page 1

Company law allows directors to be appointed for up to five years and longer if shareholders agree. The Cadbury Committee on corporate governance urged last year that contracts be cut to three years. Mr Ross Goobey said that Cadbury had "fudged" this issue.

Mr Ross Goobey's campaign received support from Mr Derek Bonham, chief executive of Hanson, the Anglo-US conglomerate, who said: "Directors should deliver or get out. They should be on one year contracts as is the practice at Hanson."

But the chairman of another company complained: "Fund managers are becoming more pompous all the time. They are out of touch with the real world of business". Mr Ross Goobey says: "It is up to representatives of the owners to change a situation which is coming a burden on companies."

Warburg gives up £80m equity plan

By Robert Peston, Banking Editor

S. G. WARBURG, the UK's leading merchant banking group, has dropped plans to raise £80m of new equity after sounding out its leading institutional shareholders.

The bank had been considering raising the new equity although there has been no formal stock exchange announcement. In the middle of the week, Cazenove, which acts as Warburg's stockbroker, took soundings from the merchant bank's institutional shareholders about whether they would be prepared to buy £80m of new convertible preference shares.

That process is known as "pre-marketing". The broker took the view that the institutions were not keen to subscribe, and so the share sale plans were dropped.

Lord Cairns, Warburg's chief executive, refused to comment yesterday. However, the bank said at the time of its results ten days ago that it had no pressing need for new equity. At March 31, it had total capital resources of £1.2bn, including shareholders' funds of £889m.

But the ratio of its shareholders' funds to gross assets, an important measure of balance-sheet strength, fell in the past year from 5.9 per cent to 4.6 per cent. The bank does not publish its risk-asset ratio, the internationally accepted measure of the strength of a bank's balance sheet.

Warburg's three biggest shareholders, regarded as strong supporters of the merchant bank, are the Canadian National Railway Pension Trust Fund, with 12.3 per cent; Munich Reinsurance of Germany, with 5.8 per cent; and Dai-Ichi Mutual Life of Japan, with 4.3 per cent.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Rises			
Aachen Mch	930	+	45
Colonia Konzern	1050	+	35
DLW	424	+	11
Karstadt	530	+	12
Philips Kommun	540	+	10
Falls			
Bilf & Berger	928	–	11
New York ($)			
Rises			
Federal Express	46¼	+	¾
General Motors	41⅝	+	¾
Falls			
Apple Computer	55¾	–	1
Merry-Go-Round	10⅝	–	⅝
Sun Microsysts	32¼	–	¼
Wal-Mart Strs	26¼	–	⅜
New York prices at 12.30pm			
Paris (FFrs)			
Falls			
Accor	580	–	27
EBF	625	–	21
Fonc Lyonnaise	574	–	11
Gaumont Soc N	596	–	42
Intertechnique	421	–	20.1
Valeo	750	–	24
Tokyo (Yen)			
Rises			
Chuo Denki	671	+	81
Fujitsu Denso	2180	+	230
Inui Steamship	600	+	110
Meiwa Trading	632	+	84
M'ishi Shindoh	600	+	56
Falls			
Fuso Lexel	1000	–	80
London (Pence)			
Rises			
Atkins Grp	144	+	8
Conrad Ritblat	46	+	4
Ex-Lands	31	+	3
Hogg Robinson	204	+	14
Invesco MIM	118	+	6
Lloyd Thompson	293	+	13
Nu-Swift	365	+	17
St James Place Cap	113	+	8
Southern Business	77	+	7
Sun Alliance	350	+	15
Falls			
BT	407	–	11
Beauford	6½	–	3
Body Shop Int	197	–	7
Bogod A	28	–	3
Cable & Wire	731	–	22
Comac	38	–	4
Dunhill	335	–	44
Fairline Boats	250	–	59
Hewtal Whiting	38	–	5
Norcros	159	–	6
Rentokil	181	–	8
Westland	181	–	6

World Weather

UK Today: Dry and sunny in most places after a cloudy, and possibly misty, start. South Wales, southwest England and the Midlands may keep a lot of cloud. Northern Scotland will be mostly cloudy with rain at times.

		°C	°F																
				Cairo	SS	414	105	Inverness	FF	171	636	Milan	SS	272	818	Salzburg	RR	131	555
Ajaccio	SS	232	737	Cape Town	SS	171	636	Isle of Man	FF	131	555	Montreal †	SS	111	525	S'Francisco †	CC	141	575
Algiers	SS	292	848	Cardiff	FF	161	616	Istanbul	SS	262	797	Moscow	SS	232	737	Seoul	FF	232	737
Amsterdam	FF	212	707	Chicago †	RR	111	525	Jersey	CC	161	616	Munich	CC	161	616	Singapore	FF	313	888
Athens	SS	272	818	Cologne	CC	191	666	Johannesburg	SS	161	616	Nairobi	FF	252	777	Stockholm	SS	161	616
Bahrain	SS	393	919	Copenhagen	SS	191	666	Las Palmas	SS	252	777	Naples	FF	202	686	Strasbourg	CC	202	686
Barcelona	FF	232	737	Corfu	FF	262	797	Leeds	CC	181	646	Nassau		–	–	Sydney	SS	161	616
Beijing	SS	333	919	Dallas †	SS	242	757	Lisbon	CC	212	707	Newcastle	FF	161	616	Tangier	FF	212	707
Belfast	CC	151	595	Dublin	SS	171	636	Locarno	SS	262	797	New Delhi	SS	393	102	Tel Aviv	SS	353	959
Belgrade	FF	272	818	Dubrovnik	SS	262	797	London	SS	191	666	New York †	RR	161	585	Tenerife	SS	262	797
Berlin	SS	202	686	Edinburgh	FF	171	636	Los Angeles †	CC	171	636	Nice	SS	242	757	Tokyo	SS	232	737
Bermuda		–	–	Faro	SS	212	707	Luxembourg	SS	202	686	Nicosia	SS	292	848	Toronto †	SS	101	505
Birmingham	FF	171	636	Florence	SS	252	777	Madeira	FF	222	727	Oporto	FF	191	666	Tunis	SS	272	818
Blackpool	FF	181	646	Frankfurt	FF	202	686	Madrid	SS	262	828	Oslo	SS	161	616	Valencia	SS	252	777
Bombay	FF	333	919	Geneva	SS	202	686	Majorca	SS	242	757	Paris	FF	212	707	Vancouver †	RR	141	575
Bordeaux	SS	212	707	Gibraltar	SS	242	757	Malaga	SS	272	818	Perth	SS	181	646	Venice	SS	252	777
Boulogne	CC	151	595	Glasgow	CC	141	575	Malta	SS	242	757	Prague	FF	212	707	Vienna	FF	212	707
Bristol	FF	171	636	Guernsey	FF	151	595	Manchester	CC	171	636	Reykjavik	CC	121	545	Warsaw	FF	202	686
Brussels	CC	191	666	Helsinki	CC	121	545	Melbourne	CC	111	525	Rhodes	SS	272	818	Washington †	FF	191	666
Budapest	SS	262	797	Hong Kong	TT	282	828	Mexico City		–	–	Rio de Janeiro		–	–	Wellington	CC	151	595
Buenos Aires		–	–	Innsbruck	CC	141	575	Miami †	SS	272	818	Rome	FF	242	757	Zurich	SS	171	636

Temperatures at midday yesterday † Noon GMT temperatures C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

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